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**PREDICTING THE INTENTION TO ACCEPT MONTHLY TAX DEDUCTION
(MTD) AS FINAL TAX AMONG SALARIED TAXPAYERS**



**By
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**Project Paper Submitted to
Othman Yeop Abdullah Graduate School of Business,
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in Partial Fulfillment of the Requirement for the Master of Sciences (International
Accounting)**



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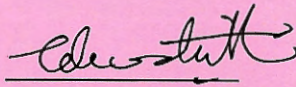
**PREDICTING THE INTENTION TO ACCEPT MONTHLY TAX DEDUCTION (MTD) AS FINAL TAX
AMONG SALARIED TAXPAYERS**

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ABSTRACT

This study surveyed the level of awareness and determinants of intention to accept Monthly Tax Deduction (MTD) as final tax among salaried taxpayers in Kulim, Kedah using Theory Planned Behaviour. The acceptance level of the implemented MTD as final tax system from the Year of Assessment 2014 was still unknown. The aim of this study is to investigate the relationship between attitudes, subjective norm, and perceived behavioral control as the independent variables and intention as dependent variable to accept Monthly Tax Deduction (MTD) as final tax among salaried taxpayers in the private and public sector in Kulim, Kedah. In order to collect data a total of 300 self-administered questionnaires were distributed to the salaried taxpayers entitled to the monthly tax deduction and 109 usable responses were used to analyze the data collected. Using the Statistical Package for the Social Sciences (SPSS) version 20.0 analysis methods, the hypothesis results showed that there was a positive and significant relationship among the two variables attitude and perceived behavior control except subjective norm has a negative and insignificant relationship towards the intention to accept Monthly Tax Deduction (MTD) as final tax. The overall finding indicates that the attitude and perceived behavior control are the key factors that attract the salaried taxpayers to accept MTD as final tax.

Keywords: monthly tax deduction (MTD), attitude, subjective norm, perceived behavioral control, intention.

ABSTRAK

Kajian ini mengkaji tingkat kesedaran dan penentuan niat penerimaan Potongan Cukai Berjadual (PCB) sebagai cukai akhir di kalangan pembayar cukai dibawah pendapatan penggajian di Kulim, Kedah dengan menggunakan Teori Perancangan Tingkah Laku manusia. Tahap penerimaan sistem MTD yang dilaksanakan sejak tahun taksiran 2014 sebagai cukai terakhir masih belum diketahui. Tujuan kajian ini adalah untuk mengkaji hubungan antara sikap, norma subjektif dan kawalan tingkah laku yang dianggap sebagai pembolehubah bebas dan niat sebagai pemboleh ubah yang bergantung kepada menerima Potongan Cukai Bulanan (MTD) sebagai cukai akhir di kalangan pembayar cukai yang tertakluk kepada pendapatan pengajiaan dalam sektor swasta dan awam Kulim, Kedah. Dalam proses mengumpul data, sejumlah 300 soal selidik yang telah diuruskan sendiri telah diedarkan kepada pembayar cukai yang tertakluk kepada potongan cukai berjadual. Dengan menggunakan kaedah analisis statistik SPSS versi 20.0, hasil hipotesis menunjukkan bahawa terdapat hubungan yang positif dan signifikan di antara dua pembolehubah sikap dan kawalan tingkah laku kecuali norma subjektif mempunyai hubungan yang negatif dan tidak signifikan ke arah niat untuk menerima potongan cukai berjadual (MTD) sebagai cukai akhir. Penemuan keseluruhan menunjukkan bahawa sikap dan kawalan tingkah laku adalah faktor utama yang menarik minat pembayar cukai terhadap penerimaan MTD sebagai cukai akhir.

Kata kunci : *potongan cukai berjadual (PCB), sikap, norma subjektif, kawalan tingkah laku, niat*

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GLOSSARY

ATO	Australian Taxation Office
IRBM	Inland Revenue Board of Malaysia
MTD	Monthly Tax Deduction
PAYE	Pay-As-You-Earn
SAS	Self-Assessment System
FORM BE	Individual taxpayers' tax form
FORM TP 1	Monthly Tax Deduction Employees' Particulars



CHAPTER 1

INTRODUCTION

1.1 Background of the Study

The Monthly Tax Deduction (MTD) scheme is known as the Pay-As-You-Earn (PAYE) system in other nations around the world. The main goal of PAYE system is to tax income on the wages. This tax plays a vital role in all nationwide tax systems. PAYE system has been practiced widely by nations like United States, New Zealand, Australia, Canada and United Kingdom. PAYE system intended to accumulate the accurate sum of tax on the salaried earnings on a current year base so that the salaried taxpayers need not to fill in tax return to the tax authority. The main purpose of PAYE system is to free salaried taxpayers from submitting annual tax return as to reduce the level of compliance costs among taxpayers (OECD, 2007).

PAYE system is known as a good tax collection system can help to reduce compliance costs and is a simpler tax collection system. PAYE is the most extensive collection system for Australia which had contributed in the annual tax return for the taxpayers in computing the tax return easily (ATO, 2014). Besides, in US, the PAYE system is a withholding tax arrangement which encourages the taxpayers to submit their returns at lower cost of compliance compared to other

tax collection system. PAYE is meant to be encouraging for tax collection efficiency to the tax authority which reduces the compliance cost.

In Malaysia, the PAYE was led in 1995 by the Income Tax (Deduction from Remuneration) Rules 1994 known as Monthly Tax Deduction (MTD) Scheme or previously referred to as the Scheduler Tax Deduction Scheme (STD). MTD scheme in Malaysia is the sum of tax on the sum of salary earned from salaried individual's monthly salary referring to the Schedule of Monthly Tax Deduction under rule 3, Income Tax (Deduction from Remuneration) Rules 1994 (MTD Rules). This MTD system transfers entire accountability of tax collection from the tax authority (Inland Revenue Board of Malaysia) to the employers who are accountable to subtract scheduled taxes from their employee's earnings and to submit the scheduled deduction to the IRBM by the 10th of the next month. MTD embroils monthly tax deduction at source, which is an anti-avoidance measure and an administrative aid to the IRBM, which is aimed to ensure efficient method of gathering tax from salaried taxpayers.

IRBM reinforced the MTD scheme in 2004 (MTD Rules) which was due to the changes of "preceding year assessment" basis which means declaring income received previous year this year and pay this year for previous year's income to "current year assessment". However, MTD scheme is not final tax where the salaried taxpayers need to submit their tax return every year. MTD deduction (Amendment 2004) is not the final amount of tax payable by the personal income

taxpayers. Nevertheless, this MTD scheme has helped to reduce the personal income taxpayer's payment burden at the end of the year which means paying a lump sum of tax. The refund of excess tax paid by the personal income taxpayers will be made by the IRBM when the ultimate tax outstanding and the total deduction by taxpayers has been firm.

Then, from 2009 onwards IRBM introduced a new MTD system mainly which introduced the tax reliefs and rebates to be submitted on a monthly instead of annually (MTD Rules). Employees can enjoy the benefits if they usually overpay their taxes, then later need to file for a reimbursement the next year. On the other hand, this system fascinates the employers' courtesy to reduce their salaried taxpayers' tax burden by scheduled payment through monthly salary deduction which is expected to further increase the burden in terms of personal income due to the readjustment problems that the employer have to solve.

The MTD system still had some loopholes towards the implementation. Then, the Prime Minister of Malaysia in his Budget 2014 speech recommended for the country to make MTD for salaried employees as a final tax meaning the personal taxpayers who are under salaried income might not need to submit their earnings from the Year of Assessment (YA) 2014 ahead interpreting the sum of scheduled monthly tax deduction as final tax.

The proposed move to MTD as a final tax will lead to better allocation of resources within IRBM as currently up to 70 percent of the staffs are involved in dealing with individual taxpayers who only contribute 30 percent of tax revenue (Lee, 2013). MTD as final tax to the salaried employees reduces the administrative burden of the IRBM to collect the tax from the personal income taxpayers. Besides that, MTD as final tax should reduce taxpayers' burden as the taxpayers are not required to file the annual return form this is in line with the same objective in other nations such as United Kingdom or New Zealand.

Despite, this newly proposed MTD scheme as a final tax reduces the administration cost for the IRBM but in other hand, the entire burden is on the employers in collecting the monthly tax deduction. Compliance costs are incurred not only by taxpayers but also by those who are required to collect the tax from them on behalf of the IRBM (Kasipillai, 2007).

The MTD is projected to be favorable equally to the taxpayers and tax authorities, plus streamlining taxpayers' accountability as well as reducing a government's costs. In Australia, the potential improvements for the pre-filled tax returns required timely, comprehensive and accurate data from employers and financial institutions, preferably online data (Evans & Tran-Nam 2010). This may eventually increase the submission rate among taxpayers besides reducing the compliance costs for the taxpayers. Even though MTD as final tax offers low compliance costs to the taxpayers and has been implemented for the past a few

years, the acceptance of the MTD as a final tax is still unknown. Therefore, it is timely to explore salaried earners' perception on this newly introduced scheme. This study is carried out to study the intention to accept MTD as final tax among salaried taxpayers in Kedah.

1.2 Problem Statement

The main problem to ponder is the non-compliance issue under the Self-assessment tax system (SAS) and upon MTD implementation. SAS is a process to encourage voluntary tax compliance which lies on the individual taxpayers (Chong & Wong, 2011). The basic non-compliance rate among salaried taxpayers for 2007 is 40% (Ibrahim and Jeff Pope, 2011, Page 3) which can be considered as high showing that there exists the non-compliance and non-filing the taxes. MTD audits conducted by the IRBM through the inspection of employees' payroll records at the employers' premises (IRBM, 2015). The increase in the non-compliant employers in 2015 to 28% as compared to 2014 of 24% shows that the employers are still not ready to the MTD as final tax system in Malaysia.

Nevertheless, the employer becomes fully responsible in the MTD as final tax scheme who typically relies on the employees' private documents surrendered to the Human Resource Department to calculate the MTD. The problem arisen here is to gather sufficient information to the employer in order to calculate the MTD accurately. The employees' may not want to disclose certain information due to the private and condition policy. Ironically, the relief changes every year this will

be troublesome to the employer to do adjustment or recalculate the MTD for each employee in an organization. This is proved by the insufficient tax deductions made by the employers RM 134.19 million in 2015 compared to RM 100.41 million in 2014 (IRBM,2015). The insufficient tax deductions explain the inaccuracy in preparing the computation for the employees MTD which includes the reliefs and all this information must be disclosed by the employees honestly (IRBM, 2015).

Furthermore, the accuracy of the MTD calculation by the employers is still non-accurate due to many reliefs are allowed to be claimed by the salaried taxpayers. For example, for YA 2016, there are more than 20 types of reliefs claimable by the salaried taxpayers (IRBM Website). This research will discuss factors that affect the acceptance of MTD as final tax. This is mainly because the MTD as final tax is a good tool not only for the taxpayers, but also to the IRBM in reducing the non-compliance and compliance costs. Even though, the MTD has been implemented for the past a few years, the acceptance of the MTD as a final tax is still unknown. Moreover, there is still no study that explores the successful/usefulness of MTD as final tax in Malaysia such as what factors that influence its acceptance and what are the areas of difficulties for employees in accepting this newly introduced scheme.

1.3 Research Questions

This study is led to response the following research questions:

- i. What are the relationships between attitude, subjective norm, perceived behavioral control and intention to accept Monthly Tax Deduction (MTD) as final tax among salaried taxpayers?
- ii. What are the most significant factors that affect the acceptance of Monthly Tax Deduction (MTD) as final tax among salaried taxpayers?
- iii. What are the areas of problem to the employees for employees' to opt for Monthly Tax Deduction (MTD) as final tax among salaried taxpayers?

1.4 Research Objectives

In general, the study is conducted to the salaried taxpayers who are entitled to the Monthly Tax Deduction (MTD) in the private and public sector in Kulim, Kedah state aiming to achieve the following objectives:

- i. To investigate the relationships between attitudes, subjective norm, perceived behavioral control and intention to accept Monthly Tax Deduction (MTD) as final tax among salaried taxpayers.
- ii. To identify the factors that affects the acceptance of Monthly Tax Deduction (MTD) as final tax among salaried taxpayers.

- iii. To identify the areas of problem to the employees' to opt for Monthly Tax Deduction (MTD) as final tax among salaried taxpayers.

1.5 Significance of the study

This study applies the Theory of Planned Behavior to better understand the level of awareness and determinants of intention to accept MTD as final tax among salaried taxpayers. This research is important for several reasons. First, the study tested the Theory of Planned Behavior's theoretical sufficiency by examining the roles of the independent and dependent variables. Due to this, the study contributes to the growing body of knowledge of social scientific theory, specifically in the area study utilizing the Theory of Planned Behavior to study the intention to accept MTD as final tax among salaried taxpayers. The study also examined the role of the independent variables typically associated with the intention to accept MTD as final tax and the role in influencing a person's decision to opt for MTD. The study also benefited the salaried taxpayers if they opt for MTD scheme, where they do not need to file their tax. Furthermore, findings of this study may provide some inputs for policy makers on the level of acceptance of MTD among salaried taxpayers and employers besides helping the policy-makers in developing effective strategies to boost up the level of acceptance of MTD as final tax among salaried taxpayers in Malaysia. Finally, the study helps to explain the relationships between attitude and intention to accept MTD as final tax, the relationship between subjective norms and intention to

accept MTD as final tax and the relationship between perceived behavioral control and intention to accept MTD as final tax.

1.6 Scope and Limitations of the Study

As mentioned in the research objectives, the main aim of this study is to survey the level of intention to accept MTD as final tax. This study is to be carried out solitary on the salaried tax payers who are entitled to the MTD as final tax in the public and private sector to investigate the acceptance level between the public and private sector salaried tax payers. As this study is an explanatory study therefore it is carried out only in Kulim, Kedah, for the future research the scope will be broader. This study will be led by a way of survey method, engaging a questionnaire survey which will be economical, appropriate and easier to reach the targeted participants who are the salaried tax payers entitled to the MTD as final tax. This study will be only testing the Theory Planned Behavior item as a start, in the future research the scope will be widen.

1.7 Key Term Definition

1.7.1 Attitude

Attitude is referred as an individual's attitude to favorably act upon the specified behavior which will result in the individual taking part in the intentional behavior

which is an evident in examining the decision of taxpayers' intention to accept MTD as final tax among salaried taxpayers.

1.7.2 Subjective Norm

Subjective norm is an individual's belief towards the related parties or people close to the individual such as friends, peers, family and employer to be involved in the behavior towards the intention to accept MTD as final tax among salaried taxpayers.

1.7.3 Perceived Behavioral Control

Perceived Behavioral Control is referred to an individual opinion of the ease to act upon the desired behavior which influences the behavioral intention of the individual to carry out the specified behavior. PBC will affect the behavior towards the intention to accept MTD as final tax among salaried taxpayers.

1.7.4 Intention

Intention is referred as the determination in carrying out the decision referring to the individual's encouragement which represents the intention. This study focuses on the intention of salaried taxpayers to accept Monthly Tax Deduction (MTD) as final tax and intention is the dependent variable for this study carried out.

1.8 Organization of the thesis

The remainder of this study contains four further chapters. The next chapter (Chapter 2) discusses the Literature review which reviews the existent literature relating to the research objectives of this thesis, such as the importance of Monthly Tax Deduction to the tax authority and the theory used in the study. Chapter 3 reports on the Methodology carried out in the study which includes the research framework, hypotheses, research design, measurement of variables, the data collection method, sampling techniques, data collection procedures involved in the study and techniques of data analysis. Chapter 4 will discuss the results and discussion. The detail about questionnaire responses and statistical tests (descriptive analysis, regression analysis, t-test) are included in this chapter. Chapter 5 specifically discusses the results of this study besides the policy implications; contributions to the body of knowledge as well as recommendations will also be discussed.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter provides an overview of previous research on theory planned behaviour, intention, attitude, subjective norm and perceived behaviour control. It introduces the framework for this study that comprises the main focus of the research described in this study. It is important to set the context of the literature review work by first providing an explanation of its specific purpose for this particular study, comments on the previous treatment of the broad topic of, intention, attitude, subjective norm and perceived behaviour control as an indication of scope of the work presented in this chapter.

2.2 Pay-As-You-Earn (PAYE) In Other Nations around the World

PAYE system has been practiced widely by nations like United States, New Zealand, Australia, Canada and United Kingdom. In countries like Denmark and Nordic countries PAYE is known as pre-filled return system. Denmark first announced the pre-filled return system in 1988, followed by Sweden in 1955 and lastly Norway in 1998 (OECD, 2008). This system became acknowledged in

other nations around the world, together with Australia in year of tax assessment 2004-2005 (Evans & Tran-Nam, 2010). A pre-filled return system can be well-defined as a strategic way in gathering information from the related parties, besides the additional sources by computing a pre-populated income tax return by the tax authority for the taxpayers via latest technological technique. The objective of the pre-filled return system is to boot out individual taxpayers to submit their tax return as to improve the level of compliance among taxpayers (OECD, 2007).

The tax authority become fully responsible under the pre-filled return system, to collect income and other source of information needed from third parties, besides information from employers, pension funds, banks, unions and investment firms. The tax authority consuming the information collected then prepares a pre-filled tax return, which later will be distributed to every individual taxpayer. Taxpayers are to clarify and approve that the info in the distributed pre-filled return is accurate. In Denmark, adjustments are accepted over the telephone conversation or thru the internet (Danish Ministry of Taxation, 2008).

The no-return system in UK is PAYE is far more dissimilar from the pre-filled return system. The no-return system imposes the entire responsibility on the employers to calculate tax withheld probably close to the final tax liability. The differences between the tax withheld and the final tax liability which has been computed in a pre-filled return will effect in a tax repayment or tax payment

computed by the tax authority using processing systems and advanced matching. Relatively, the pre-filled return system is reflected as more comfortable without any burden on the employers and other third-parties in contrast to an exact withholding system (All-Party Parliamentary Taxation Group, 2009). Thus, in the Malaysian context, the pre-filled return system is considered to be interesting and its application could evidence to be more beneficial (Ibrahim and Jeff Pope, 2011). A complete pre-filled return should comprise the following item stated in the Table 2.1:

Table 2.1:
Items in a Pre-filled return system

No.	Items
1.	Identification of the taxpayer
2.	Main income sources and the sum paid
3.	Purchases and asset sales that have capital gains or wealth tax implications
4.	Deduction item computed form the relevant party or expected using a formula
5.	Individual reliefs / tax credits
6.	Calculation of tax payable / refundable based on identified information

Source: (Highfield, 2006, p. 333)

Complete pre-filled returns have been distributed by most of the Nordic nations. (OECD, 2008). Where else, other nations like Australia and Singapore practice a partly pre-filled system whereby only firm info is included in the pre-filled returns (IRAS, 2005; Evans & Tran-Nam, 2010). Besides, Slovenia, a nation in change has tried an inclusive level of the system in 2008 with several modification to their tax codes and the application of a partially pre-filled return-system since 2006 (Klun, 2009). Furthermore, Denmark applied 'deemed acceptance' whereby taxpayers who do not reply within a time frame given will be treated as accepting the pre-filled returns.

2.3 Monthly Tax Deduction (MTD) In Malaysia

On 1 January 2005, in the process to encourage voluntary tax compliance, the IRBM applied the Self-assessment tax system (the SAS) on individual taxpayers (Chong & Wong, 2011). In the SAS system, individual taxpayers who earn income in or derived from Malaysia are to reveal their taxable income fairly, calculate tax to be paid appropriately, file tax return form and pay tax on time (Chong & Wong, 2011). In a nutshell, under SAS, the obligation to calculate the tax obligation is on the individual taxpayers. As a result, the individual taxpayers must consume adequate tax knowledge in computing the tax obligation appropriately and to file tax return forms on time. The SAS system needs the taxpayers to retain their records and documents appropriately, fill the returns properly, calculate the tax correctly and finally submit the return form on time with the final payable amount of tax if any (Mahmood, 2012).

The tax return forms such as BE (for employment income), B (for business income) and M (for non-resident individual) are allotted to individual taxpayers in the January of the next year, or earlier, and the cutoff date for submission of BE form is by 30 April compared to the submission of B and M form. For the business income individuals (B form), such as sole proprietors and partnerships, tax filing is due on 30 June each year. Under SAS, the support on data non-compliance and the non-filing the taxes is there. The table shows that the basic non-compliance rate among salaried taxpayers for 2007 is 40% which can be considered as high where the non-compliance and non-filing the taxes still exists.

The MTD system introduced earlier still had some misunderstanding. Some taxpayers thought that by deducting their monthly salary for MTD means that they have paid their income tax. Therefore, Budget 2014 the Prime Minister announced the new MTD as final tax scheme. The main purpose of the MTD as final tax to be implemented is to ease the salaried taxpayers who are entitled to the MTD deduction monthly, it is recommended that these salaried taxpayers do not need to submit their tax returns if the taxpayers are pleased with their MTD is a final tax. (Budget Speech 2014, Page 21). Besides that, the MTD as final tax proposed will reduce the burden and administrative cost for the IRBM in collecting the tax, where else the entire burden will be transferred to the employers in collecting the monthly tax deduction. The MTD is projected to be favorable equally to the taxpayers and tax authorities, plus streamlining

taxpayers' accountability as well as reducing a government's costs (Drum, 2004). The MTD as final tax scheme is effective from year assessment 2014 onwards.

Nevertheless, the MTD as final tax is applicable only to those taxpayers who fall within the taxable income bracket and the employer have been deducting the MTD from the employee's monthly remuneration. The employer becomes fully responsible in the MTD as final tax scheme who typically relies on the employees' private documents surrendered to the Human Resource department to calculate the scheduled MTD. Furthermore, the employees' privilege to individual relief, wife/husband relief and children relief will be taken in computing the MTD. If the employee is entitled to extra reliefs like medical expenses for parents, purchase of books and magazine, purchase of computer and the employer is not provided with the sufficient information to calculate the additional reduced MTD, the employees' need to claim the reliefs that are to be claimed themselves in the yearly tax returns and request for a tax refund. This would be time consuming and the employees' may tend to forget to claim the reliefs they are entitled to claim. The problem arisen here is to gather sufficient information to the employer and the employees' may not want to disclose certain information due to the private and condition policy. Ironically, the relief changes every year this will be troublesome to the employer to do adjustment or recalculate the MTD for each employees in an organization. Employers should be given enough training and knowledge to be aware on the on the relief changes so that the MTD as final tax

scheme can be implemented without fail in order to prepare the MTD computation appropriately.

Furthermore, the accuracy of the MTD calculation by the employees is still non-accurate due to many reliefs are allowed to be claimed by the salaried taxpayers. There are almost 20 types of reliefs claimable by the salaried taxpayers (IRBM Website). MTD Audit shows that the rate of insufficient tax deductions made for the year 2015 is fairly higher 28% compared to 2014 which is only 24% (IRBM 2015). This indicates that non-accuracy in the MTD calculation still occurs. Thus, to simplify the calculation of MTD where by the amount is equal to the actual tax obligation of the employees the IRBM has prepared a form named Form TP1 which can be downloaded from the IRBM website. This form is to be filled up by the employees to completely by filing up the particulars of their expenses of the following nature to their employers referring to the **Appendix 1: Personal Relief, YA 2016**.

If an employee elect to the MTD as final tax, the employee is compulsory to submit completed TP1 Form to their employer so that the salaried taxpayers' MTD can be attuned where the employees' tax obligation will be equal to the entire sum of MTD deduction made. This is based on the employer's authorization. According to IRBM, the MTD as final tax scheme is simply appropriate for an employee:

- who only receives salaried income without any benefits-in-kind and living accommodation
- who is entitled to MTD deduction
- who is being working with the 1 employer throughout the calendar year
- whose tax obligation is not accepted by the employer
- whose wife/husband did not select for combined tax assessment.

Monthly Tax Deduction (MTD) earlier was known as “Schedular Tax Deduction” (STD) which was announced on 1st January 1995, as tax recovery system where employers need to make monthly deductions from their employees’ salary in accordance with the MTD Schedule. This monthly deductions from the employees’ salary was compulsory where the employer and employee has no choice but to comply with the rules. Any objection on the requests of the Income Tax (Deduction from Remuneration) Rules can be only upon written approval from IRBM. (IRBM website). PCB is known as PAYE which is practiced in many nations. Before the PCB was introduced in Malaysia, taxpayers were exposed to “preceding year assessment” which is meant that last year’s income is declared this year and the tax paid in the current year is for previous year’s income. This “preceding year assessment” practice imposed hiccups for IRBM in collecting the tax return where taxpayers fail to pay their taxes.

Moreover, the PCB main objective is to collect income tax as and when they are received by taxpayers. Due to the issue of the non-compliance of taxpayers to pay

their taxes, the IRBM directed the employers to deduct a sum from the monthly salary of employees to pay their income tax. Hereafter, PAYE with PCB practiced was no longer allowed the taxpayers to pay their income tax for preceding year's income. The monthly deduction from salary is aimed to pay the taxpayers income tax for the current month's salary and PCB is not a final tax. The PCB collection on the employee's salary takes into count the employees' marital status, whether the spouse (husband/wife) is working and number of children which is only an estimation. The PCB applied to the taxpayers under the employment income in Malaysia failed to take into consideration the following items in Table 2.2:

Table 2.2:
Items to be considered in PCB

No.	Items
1.	Life, medical or education insurance
2.	Purchase of personal computer
3.	Medical expenses for self, spouse or parents
4.	Purchase of books
5.	Purchase of sports equipment
6.	Other source of income such as dividends, rental and others

Source: (IRBM, 2014)

Therefore, the PCB paid in a year is not exactly the actual income tax payable for the particular year of assessment. The actual tax payable amount can only be computed when the "BE Form" is submitted in April the next year. If the actual tax is more than the accumulated PCB, the tax should be paid by 30 April the next year. Where else, if the accumulated PCB is more than the actual tax, the tax refund

will be made by the IRBM. Under Budget 2014, the individual taxpayers under employment do not need to file their tax returns from the Year of Assessment (YA) 2014 ahead, adapting the MTD as final tax compared to the PCB. This is due to the government's reasoning presently, an employer makes the MTD payments from an employee's salaries after deducting the main reliefs such as individual relief, relief for husband/wife with no earnings, child relief, EPF and zakat payment. Furthermore, an employee may demand the employer to deduct other additional reliefs like parents' medical expenses, reading materials, insurance life and medical and many other reliefs. The employee must fill up the necessary information in the Form PCB/TP1 which is divided into 6 sections as stated in Table 2.3:

Table 2.3:
Items to be considered in Form PCB/TP1

No.	Section	Items
1.	A	Employer's Information
2.	B	Taxpayer's Information
3.	C	Relief Information
4.	D	Rebate
5.	E	Employee's Acknowledgement
6.	F	Employer's Approval

Source: (IRBM, 2014)

MTD is a tool to deduct the scheduled tax payments on employment income received by the employees in present year. According to the Income Tax Deduction from Remuneration Rules 1994, the employers are responsible to submit the MTD deduction made every month to the IRBM. Therefore, employee submitting the tax return on the 30 April the next year becomes redundant. On the other hand, this option is suitable to employees who satisfy the following constructs stated in Table 2.4:

Table 2.4:
Constructs in a Monthly Tax Deduction (MTD)

No.	Constructs
1.	Only employees receiving salaried income excluding any benefits in kind
2.	Employees who are entitled to the MTD
3.	Employees working with same employer for 1 calendar year
4.	Employees taxes are not bared by the employer
5.	Employees who are under separate assessment

Source: (IRBM, 2014)

Nevertheless, MTD is not suitable to an employee receiving other sources of income like rental income, business income and employee who have been involve in job change in the current year. These employees are still entitled to file their tax return. If the employees overlook some tax reliefs in their MTD computation made earlier, the employees can choose to file the tax returns to include the

overlooked reliefs. MTD has effectively passed the work load of calculating and gathering the employment taxes to employers. This MTD scheme will eventually be troublesome to the employers as more workforce is needed in the process of computing the main reliefs as well as the other additional reliefs for each employee entitled to the MTD. MTD increases the job scope of the human resource staffs to be involved in the unfavorable job of accounting to calculate the MTD. Furthermore, it is recommended that the employees who are electing for MTD as final tax must fill up the Form PCB/TP1 and hand it over in June and December to the HR to ease the administrative work for the employer. The minimum monthly remuneration (after EPF deduction in Malaysia)

1. Single Individual – RM 2,851.00
2. Married Individual with Unemployed Spouse – RM 3,766.00

(IRBM website 2017)

The MTD implemented system still had some lobe holes towards the implementation since the early introduction to it. Then, in the Budget 2014 speech the Prime Minister of Malaysia recommended for the country to make MTD for salaried employees as a final tax which means the personal taxpayers who are entitled to salaried income do not have to submit their tax returns form the Year of Assessment (YA) 2014 taking the monthly tax deduction as final tax. The proposed move to MTD as a final tax will lead to better allocation of resources within IRBM as currently up to 70 percent of the staffs are involved in dealing

with individual taxpayers who only contribute 30 percent of tax revenue. (Lee, 2013). MTD as a final tax to the salaried employees reduces the administrative burden of the IRBM to collect the tax from the personal income taxpayers.

If an employee meets the above conditions, the employee has an option not to submit the employee's tax return if the employee haven submit the tax return by the April 30. This above option is only applicable from 2014. The idea of MTD as final tax can be implemented by those taxpayers who are too busy with work, those taxpayers who are always out of the country and the taxpayers who do not have suitable time to fill in and submit their tax returns to IRB. Employees has the rights to ask their employers on the perception of the employer or readiness of the employer towards the MTD as final tax.

This research will discuss factors that affect the acceptance of MTD as final tax. Findings of this study may provide some inputs for policy makers on the level of acceptance of MTD among salaried taxpayers and employers besides helping the policy-makers in developing effective strategies to boost up the level of acceptance of MTD as final tax among salaried taxpayers in Malaysia. This is mainly because the MTD as final tax is a good tool not only for the taxpayers, but also to the IRBM in reducing the non-compliance and compliance costs. Even though, the MTD has been implemented for the past a few years, the acceptance of the MTD as a final tax is still unknown. Moreover, there is still no study that explore the successful/usefulness of MTD as final tax in Malaysia such as what factors that influence its acceptance and what are the areas of difficulties for

employees in accepting this newly introduced scheme. The MTD is projected to be favorable equally to the taxpayers and tax authorities, plus streamlining taxpayers' accountability as well as reducing a government's costs (Drum, 2004). This might eventually increase number of compliance among the salaried taxpayers by decreasing the compliance costs to the taxpayers. Even though, the MTD has been implemented for the past a few year, the acceptance of the MTD as a final tax is unknown. Therefore, this study utilizes the theory of planned behavior in answering all the research questions to ensure the level of Intention to Accept Monthly Tax Deduction (MTD) As Final Tax among the salaried taxpayers in Kedah.

2.4 Theory Planned Behavior (TPB)

The TPB is an addition of the theory of reasoned action (Ajzen and Fishbein, 1977; Fishbein and Ajzen, 1975). According to Ajzen (1991), the vital factor to predict a person's behavior is the person's intention to carry out the act. Intention can be measured as an immediate antecedent of an actual behavior, an indicator of how hard a person is keen to try, and an indicator of how much effort a person is planning to apply in carrying out the act. The higher the intention to participate in the act, the higher the specified act will be carried out. The TPB proposed by (Ajzen, 1991) states that there are three theoretically independent elements of intention which are attitude towards the act, subjective norms and perceived behavioral control (PBC). The TPB is a broadly accepted model in social psychology that can explain practically any human behavior (Fishbein and Ajzen,

1975). This theory explains that a person's behavior is described by the behavioral intention, which is mutually affected by the attitude, subjective norms and perceived behavioral control (PBC). Moreover, (Ajzen, 1991) discusses that performance of a particular behavior is evaluated by the positive or negative behavior which is called as an attitude, while subjective norm developed from a person's views of what is significant to the related parties close to the person who are possible to ponder about the behavior, however, PBC is learnt by the views on the person's control over the chances and the resources required in the behavior.

Attitude is mentioned as the degree where a person owns an encouraging or discouraging evaluation of a given act whereas the belief is mentioned as the particular value of the evaluation on the probable results relating to the behavior (Fishbein and Ajzen, 1975). Hence, if the person presumes that the result of the related behavior would be positive, then the person's attitude towards carrying out the particular behavior is to be more positive. Next, the subjective norms states the view and probability of the related parties whether to take part or not in a particular action. Lastly, the perceived behavioral control (PBC) is referred to the simplicity or struggle in carrying out the action (Ajzen, 1991, p.188) with the expectation that PBC is directly influenced on intentions and behavior. Moreover, the PBC reflects a person's acceptance on a particular act considering the abilities and the barriers to carry out the act (Hagger et al., 2002). Besides that, PBC is the level in which a person who is to genuinely involve in the struggle to carry out an action, a measure of PBC can oblige as a proxy to the actual control and

contribute to the prediction of the behavior. Generally, a person who owns encouraging attitude and supportive subjective norms in a certain action, the higher the PBC, the higher the intention of a person to carry out the act (Ajzen, 1991).

2.5 Constructs in Theory Planned Behavior (TPB)

Ajzen introduced the theory planned behavior (TPB) in 1985. TPB recommends that, a person's inspiration to act on a particular behavior is subjective to the person's view on the ease to perform the intended behavior, with the attitude and subjective norms. The TPB theory discusses the PBC added with behavioral intention will eventually give an impact to the actual behavior. This relationship concludes that an individual with strong intention and PBC to act upon the particular behavior or act will carry out the certain behavior compared to the individual without intention and lower PBC. Nevertheless, if there occurs a relationship where the individual has the intention to act but fails to act towards the particular behavior this might be due to the lower PBC (Manstead, 2004). In conclusion, TPB has specify that PBC is reliant on the beliefs referring to the attitudes towards behavior and subjective norms. The TPB model is presented schematically in Figure 2.1

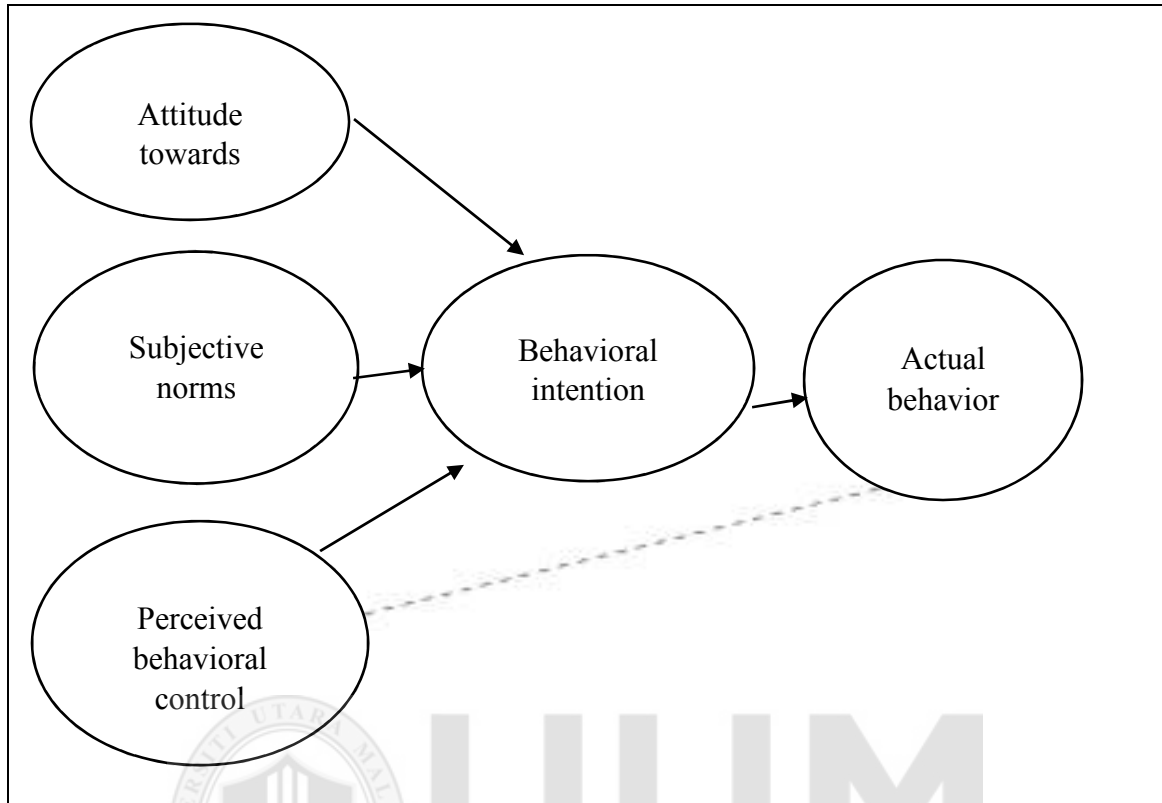


Figure 2.1: Theory Planned Behavior

Source: Ajzen (1991, Page 23)

2.5.1 Intention

Effort in acting upon the structured plan or judgment refers to an individual's motivation which represents the intention (Conner and Armitage, 1988). Agreeing to the TPB theory, as a person express its intention, three theoretical independent should be taken into count. Firstly, the beliefs on the significant intention to act is formed which outcomes in an encouraging or discouraging attitude to perform the behavior. Next, the person takes into count the views of the related parties who are important to the person in developing subjective norm (SN) whether to act or

not to act to carry out the action intended. Lastly, an individual's ability to act upon the specified action considering the ease to act is known as PBC. Ajzen (1985) discusses that, if an attitude and SN are more encouraging with higher PBC, the higher will be a person's intention to carry out the particular behavior. The entire variables of attitude, SN and PBC are relatively significant to predict the expected intention across behaviors and circumstances which is found by the regression analysis (Ajzen, 1991).

Besides that, there might be other related variables which influences intention through the attitude, SN and PBC (Ajzen, 1985). Intentions are presumed to capture the aspect that influences a person to carry out the decision made. Through the observation, can be said that a person habitually fail to act in accordance with the specified intentions (Ajzen et al., 2004). Therefore, the current study focusses on the intention of salaried taxpayers to accept Monthly Tax Deduction (MTD) as final tax and intention is the dependent variable for this study carried out. Besides that, PBC is the level in which a person who is to genuinely involve in the struggle to carry out an action, a measure of PBC can oblige as a proxy to the actual control and contribute to the prediction of the behavior. Generally, a person who owns encouraging attitude and supportive subjective norms in a certain action, the higher the PBC, the higher the intention of a person to carry out the act (Ajzen, 1991).

2.5.2 Attitude and Intention

Attitude is referred to the internal behavior which is conveyed by the favorable or unfavorable appraisal to act in accordance with the tax liability of the personnel Ajzen (1991). Attitude is the psychological tendency to favorably or unfavorably act upon a certain entity. A person's attitude which is favorably to act upon the particular behavior will result in the person taking part in the intended behavior. The determination of attitude is needed as an evident in examining the decision of taxpayers' compliance (Cullis and Lewis, 1997). The study by (Cullis and Lewis, 1997) determined that, when the attitudes towards compliance are positive, this will eventually lead to boost up the tax compliance among taxpayers. This is in line with Hanno and Violette (1996) who found the positive relationship between attitude towards tax compliance and compliance behavior. Attitude and intention plays an important role towards the intention to accept MTD as final tax.

In Canada, Trivedi et al. (2005), applied TPB model in to examine the fitness of the model to further explain the tax compliance behavior using the survey and experimental design among the taxpayers where attitude resulted as a significant impact to the taxpayer decision making. This study examined the character of attitude in the compliance and non-compliance behavior decisions and the outcomes are that the attitude is compulsory in any circumstances. This results proves (Elffers et al.'s 1987) study that shows there is a positive link between attitude towards compliance and intention to act in accordance to the intended action. Therefore, this may support that attitude has a positive relationship

towards the intention to accept MTD as final tax. In Malaysia, Kasipillai and Jabbar (2003) stated that, attitude towards compliance of income reporting behavior was proved to be significant. Adding the recent study of (Loo et al., 2008; 2009) initiated that taxpayers who have favorable attitudes would be more compliant. Remarkably, this study concludes that the taxpayers' attitude can be measured into two factors on the compliance behavior. Firstly, the confidence level of the taxpayers in handling the tax matters has a positive influence towards compliance behavior and secondly, the taxpayers' attitude on the administration of the tax system has a negative influence on compliance behavior. Therefore, it can be concluded that the attitude will have a significant impact towards the intention of the taxpayers to accept Monthly Tax Deduction (MTD) as final tax.

2.5.3 Subjective Norm and Intention

Subjective norms can be well-defined as the expectancy of the related parties and the individual norms owned by self-based standards (Bobek et al., 2007) to act or not to act upon the behavior, (Ajzen, 1991). A person is influenced by the opinion of the related parties or the people who are close (friend, peers, family, employer and other) to them to get involve in the behavior. In the study conducted by (Tan Fee Yean et al. 2015) on the influence of attitude, subjective norms and perceived behavioral control on intention to work which is a case of socso insured employees stated that 160 SOCSO'S insured person in Malaysia. The results of the study is subjective norms has a positive and significant impact on intention of the employees under pressure to return to work straightaway after the absence in

long term. Therefore, can be said that subjective norms may reflect in this study on the intention to accept Monthly Tax Deduction (MTD) as final tax where the taxpayers may be influenced by the third parties such as the family members, peers and employer to opt for the MTD as a final tax.

2.5.4 Perceived Behavioral Control (PBC) and Intention

PBC is referred to an individual view of the easiness or struggle in carrying out the particular behavior. Nevertheless, the confidence level of a person to act upon the action significantly effects intention and behavior (Ajzen, 1991) where else (Brouwer et al., 2009) discusses PBC as the belief of a person to carry out the particular behaviors. Likewise, (Francis et.al,2004) claims PBC as an individual's level of confidence in having ability to act or not act by having control towards their behavior. Consequently, a person's belief will impact the behavioral intention which encourages the person to act upon the targeted behavior. In the study by (Tan Fee Yean et al.,2015) concludes the PBC might apply an influence on the employees' intention to return to work. An individual behavioral intention prejudiced by the level of acting towards the actual behavior. For instance, if employees are unable to join work, they will decide to be on medical leave but if the employees are encouraged to return to go to work even though they are not, in good health, the employees may still go to work and carry out their tasks at workplace in effectively. Thus, it is resulted that the PBC had a positive and significant influence on intention to return to work. To illustrate, in the case of

participation in the Monthly Tax Deduction (MTD) as final tax, when individual belief that there ease to carry out the specific action and the individual perception of control is high and hence their behavioral intentions increase to opt for MTD as final tax.

2.6 Areas of Problem

Areas of problem refer to the perception of the salaried taxpayers on the implementation of MTD as final tax in the salaried taxpayers' organization. Each organization faces different types of problem which includes the problem from the employer itself to be familiar with the MTD system, the IRBM and also problem with the MTD system as well.

2.7 Summary

This chapter describes the relevant theory of Theory Planned Behavior which formed the background of this study. The TPB model developed by (Ajzen,1991) included the theoretical framework to further understand the relationship between the independent variables which are attitude, subjective norm, perceived behavioral control and the dependent variable is intention to opt for MTD as final tax. Based on the arguments made by other researchers, can be concluded that the attitude SN and PBC has positive effect and can be said that is significant to

accept MTD as final tax. The outcomes of this study can be useful in achieving the main objective of the IRBM on the implementation of the MTD as final tax scheme which is to mainly reduce the burden of the taxpayers to file the tax. In conclusion, the literature review provided a clearer view for the researcher to build the conceptual framework of the study as well as to figure the relevant hypotheses in the following chapter.



CHAPTER 3

METHODOLOGY

3.1 Introduction

This chapter focuses on the research techniques that are carried out to meet the objectives of the study. This chapter specifically comprises the research framework, hypotheses development, the operational definitions, research design, and the measurement variables, the population of the study, the sampling techniques, the procedure of data collection and the techniques used to analysis the data.

3.2 Research Framework

This study examines the relationship between the variables comprising attitude, subjective norm, perceived behavioral control and intention to accept Monthly Tax Deduction (MTD) as final tax. The framework for this study was developed based on the Theory Planned Behavior and Intention to Acceptance using Ajzen (1991) which has been modified whereby the actual behavior is dropped. According to Ajzen, an intention is a proxy for actual behavior and currently, the

actual usage of MTD as final tax is unknown since the system is still new. The model tested the direct relationship between the attitude, subjective norm, perceived behavioral and the intention to accept the MTD as final tax among the salaried taxpayers. Figure 3.1 illustrates the framework of this study.

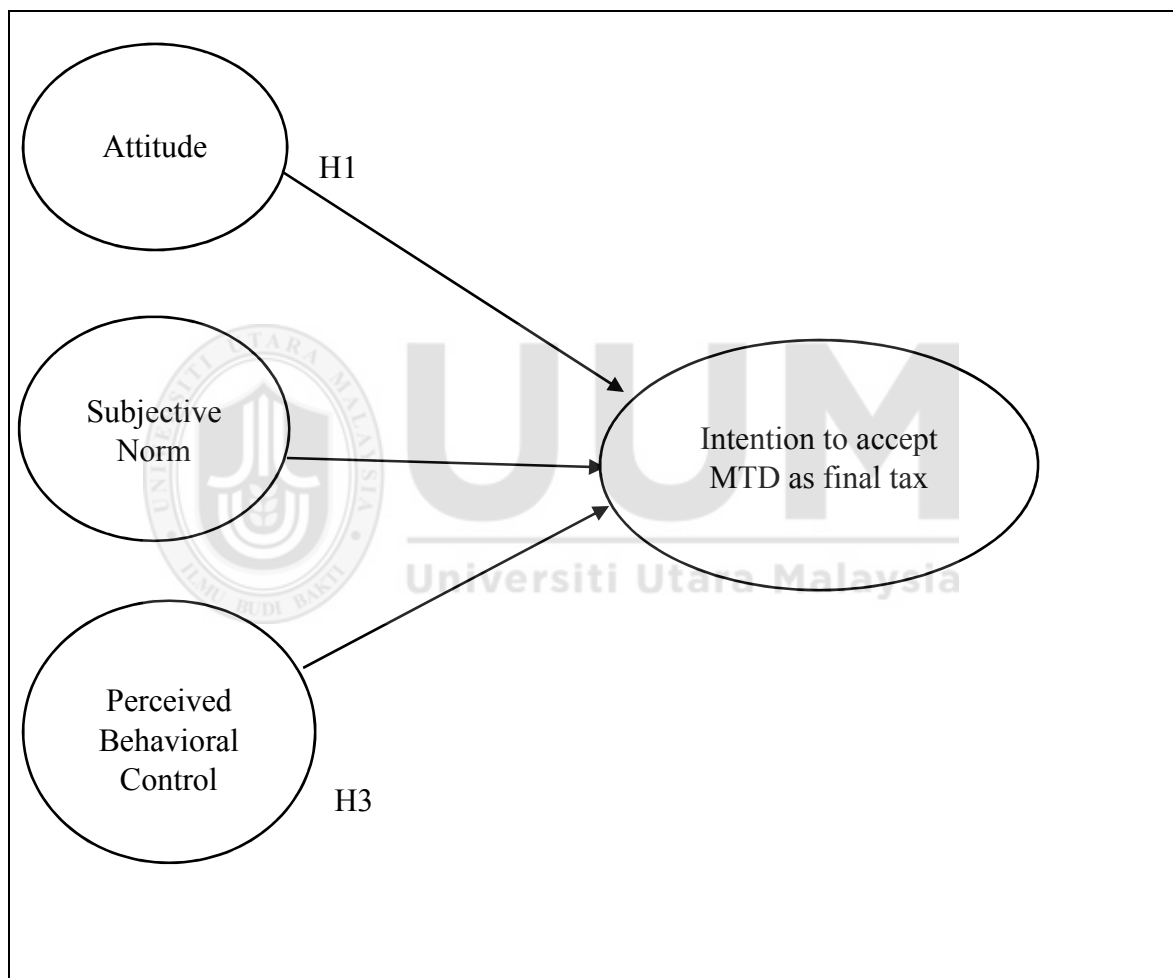


Figure 3.1: *Research Framework for the Study*

Adaption from: Ajzen, I. (1971)

3.3 Hypothesis Development

This study is constructed using the Theory of Planned Behavior (TPB) which is widely used to examine intention to acceptance of monthly tax deduction (MTD) as final tax. The hypotheses of the study were built in the research questions set up in chapter one and were developed in accordance with the literature reviewed. In this study, attitude, subjective norm and perceived behavioral control are the independent variables where else the intention to accept is the dependent variable.

3.3.1 Attitude toward intention to use Monthly Tax Deduction (MTD) as Final Tax

Attitude is referred to the internal behavior which is conveyed by the favorable or unfavorable appraisal to act in accordance with the tax liability of the personnel Ajzen (1991). If a person's attitude is more favorable towards certain behavior, there high chance that the person will want to engross in the behavior. According to Putzer & Park (2012) hypothesizes that if a consumer has positive experience consuming smartphones, this will eventually boost up the acceptance level of smartphones. Therefore, if salaried taxpayers has positive understanding by opting to use Monthly Tax Deduction (MTD) as final tax it will lead to an increase in the acceptance level of Monthly Tax Deduction (MTD) as final tax. To the researcher's knowledge no previous studies have been conducted about the Intention to Accept Monthly Tax Deduction (MTD) as final tax, but previous studies have indicated that more positive a personal's attitude is close to the

actions, the more possible that the personal will want to involve in the actions.

This study proposes that:

H1: Attitude has a positive and significant influence on the intention to accept Monthly Tax Deduction (MTD) as final tax.

3.3.2 Subjective Norm toward intention to use Monthly Tax Deduction (MTD) as Final Tax

Subjective norms of a person is highly dependable on the person's opinion about the opinion of the related parties such as the colleague, friends, supervisor and family members on their performed actions (Brouwer et al.,2009, Vermeulen et al.,2011). A person is intended to act and carry out the suggested actions as anticipated by the related parties. Ajzen (1991) concludes that subjective norms are the perceived social pressure to act or not to act upon the actions. Hence, subjective norms might have a bearing on a person's behavioral intention, it is hypothesized that: The intention of this may be taxpayers are still in the process of selecting the filing method which suits the taxpayers. The views of the related parties will be in greater influence in this process to opt for MTD as final tax. Hence, this study proposes that:

H2: Subjective norm has a positive and significant influence on the intention to Accept Monthly Tax Deduction (MTD) as final tax.

3.3.3 Perceived Behavioral Control toward intention to use Monthly Tax Deduction (MTD) as Final Tax

Perceived behavioral control is a person's acceptance on his or her abilities of presenting certain actions (Brouwer et al., 2009). Likewise, Francis et al. (2004), emphasizes that perceived behavioral control can be abstracted as a person's capability to have control on the person's actions and their level of confidence in their capability to act or not to act. Therefore, a person's acceptance will impact the person's acceptance intention and encourage the person to carry out the targeted action. A person's view on the easiness or difficulty to carry out the action is also referred as perceived behavioral control. In other words, an individual's confidence in carrying out a specific task significantly effects intention and behavior (Ajzen, 1991). As stated by Brouwer et al., perceived behavioral control has a positive and significant impact on the intention to return to work. To illustrate, in the case of participation in the Monthly Tax Deduction (MTD) as final tax. When the salaried taxpayers, believe they have more resources and there is ease to elect to accept Monthly Tax Deduction (MTD) as final tax, the taxpayers' perceptions of control will be high and therefore the behavioral intentions increase to accept Monthly Tax Deduction (MTD) as final tax. This study suggests that:

H3: Perceived Behavioral Control has a positive and significant impact on the intention to accept Monthly Tax Deduction (MTD) as final tax.

3.4 Operational Definition and Measurement of Variables

An operational definition describes a variable as far as the operations to deliver it or methods used to quantify it. This study has two main variables, intention to accept MTD as final tax is the dependent variable where else attitude, subjective norm and perceived behavior is the independent variable.

3.4.1 Intention

Intention refers to an individual's motivation to make an effort to act upon a plan or decision (Conner and Armitage, 1998). Furthermore, intentions capture the motivational factors which gives an impact to on behavior of an individual to act on the decision made. The behavioral intention must thus allow an extremely precise prediction of consistent volitional action (Ajzen, 1988). Yet, it is commonly witnessed that people often flop to act in accordance with their stated intentions (Ajzen et al., 2004). In this study, intention was measured using a 5-point Likert Scale with the possible answers ranking from 1 = Strongly Disagree to 5 = Strongly Agree. In this study, the attitude was measured by modifying 5 items adapted from D.Sasitharan (2014). The details of the items used or measurement are presented in Table 3.1 below.

Table 3.1

Measurement of Intention to Accept / Adopt MTD as Final Tax

Measurable Items	No. of Item	Source	Scale
I intended to use MTD as final tax.	5	D.Sasitharan (2014)	5 Point Likert Scale
I predict that I would use MTD as final tax to pay tax in the next year of assessment.			
I am willing to use MTD as final tax.			
I will use MTD as final tax in computing my tax.			
I will recommend others to use MTD as final tax.			

3.4.2 Attitude

Attitude is referred to the internal behavior which is conveyed by the favorable or unfavorable appraisal to act in accordance with the tax liability of the personnel Ajzen (1991). Tax compliance is the level at which taxpayers will obey the rules and regulations of taxation in the given period of time. Filing tax forms as reporting all taxable income properly and accurately, paying the taxes within the specified period without fail are the measures of tax compliance which directly relates to the attitude of the taxpayers. Whereby if the taxpayers' has positive experience by opting to use Monthly Tax Deduction (MTD) as final tax it will lead to an increase in the acceptance level of Monthly Tax Deduction (MTD) as final tax Putzer & Park (2012). This definition has been adopted by many

previous studies such as Ajzen (1991) and Putzer & Park (2012). In this study, attitude was measured by a 5-point Likert Scale with possible answers ranking from 1 = Strongly Disagree to 5 = Strongly Agree. In this study, the attitude was measured by modifying 5 items adapted from D.Sasitharan (2014). The details of the items used or measurement are presented in Table 3.2 below.

Table 3.2
Measurement of Attitude to Accept / Adopt MTD as Final Tax

Measurable Items	No. of Item	Source	Scale
I like using MTD as final tax.	5	D.Sasitharan (2014)	5 Point Likert Scale
I feel good about using MTD as final tax.			
I think positively toward using MTD as final tax.			
The MTD as final tax make easy for me to file my tax.			
I strongly agree about the MTD as final tax suggested by the IRBM.			

3.4.3 Subjective Norm

A subjective norm is a person's perception of the social pressure to act or not to act the target behavior (Ajzen, 1991; Francis et al., 2004). Subjective norms are assumed to have two components which work in interaction: views about the related parties, close to the person, would like them to act (normative beliefs) and

the positive or negative judgments about each belief (outcome evaluations). These views may play a persuasive role and put pressure on the person to carry out a specific behavior, such as intention to acceptance to Monthly Tax Deduction (MTD) as final tax. This means that subjective norms of a person is highly dependable on the person's opinion about the opinion of the related parties such as the colleague, friends, supervisor and family members on their performed actions ((Brouwer et al., 2009, Vermeulen et al., 2011). Individuals tend to act and carry out the suggested behavior as expected by related parties. For instance, a taxpayer may tend to opt to acceptance to Monthly Tax Deduction (MTD) as final tax because the suggestion given by the related parties. Therefore, subjective norms may have a bearing on the taxpayers' behavioral intention. In this study, subjective norm plays a major role for the tax payers in opting to accept Monthly Tax Deduction (MTD) as final tax. This definition has been adopted by many previous studies such as Ajzen (1991), Francis et al., (2004), Brouwer et al., (2009) and Vermeulen et al., 2011. In this study, subjective norm was measured using a 5-point Likert Scale with the possible answers ranking from 1 = Strongly Disagree to 5 = Strongly Agree. In this study, the subjective norm was measured by modifying 5 items adapted from Saad (2011). The details of the items used or measurement are presented in Table 3.3 below.

Table 3.3

Measurement of Subjective Norm to Accept / Adopt MTD as Final Tax

Measurable Items	No. of Item	Source	Scale
My employer encourages me to opt for MTD as final tax.	5	Saad (2011)	5 Point Likert Scale
My family and peers would approve my decision to use MTD as final tax is financially beneficial to me to use.			
My family members feels that I should to opt for MTD as final tax.			
My friend feels I should opt for MTD as final tax.			
I feel please to opt for MTD as final tax.			

3.4.4 Perceived Behavioral Control

Perceived Behavioral Control also refers to a person's perceptions of the easiness or difficulty with the abilities of performing certain behavior. In other words, an individual's confidence in performing a specific task significantly influences intention and behavior. Therefore, a person's acceptance will influence the person's behavioral intention and encourage the person to carry out the target behavior. This definition has been adopted by many previous studies such as Ajzen (1991), Brouwer et al., (2009) and Francis et al. (2004). In this study, perceived behavioral control was measured using a 5-point Likert Scale with the possible answers ranking from 1 = Strongly Disagree to 5 = Strongly Agree. In this study, the perceived behavioral control was measured by modifying 5 items

adapted from Saad (2011). The details of the items used or measurement are presented in Table 3.4 below.

Table 3.4
Measurement of Perceived Behavioral Control to Accept / Adopt MTD as Final Tax

Measurable Items	No. of Item	Source	Scale
I feel it would be easy for me to opt MTD as final tax.	5	Saad (2011)	5 Point Likert Scale
There are no barriers to use MTD as final tax.			
With my tax knowledge I will have no difficulties to opt MTD as final tax.			
Applying MTD as final will reduce my burden to submit tax return form if I'm satisfied.			
I will use MTD as final tax in near future.			

3.4.5 Areas of Problem

Areas of problem were evaluated in the *Section C* of the questionnaire distributed to the salaried taxpayers entitled to MTD was mainly to evaluate the perception of the salaried taxpayers on the new system implementation MTD as final tax in their organization. The questions on the areas of problem were self-administered as shown in Table 3.5 below.

Table 3.5
Areas of Problem in MTD as final tax implementation

No.	Statement
P1	MTD calculation is not accurate.
P2	MTD system is not user friendly.
P3	MTD is more teddies than the current tax filing.
P4	Too many reliefs need to be computed makes the MTD more complicated.
P5	Employer is not ready to opt for MTD as final tax. (Example: No proper system).
P6	Other sources of income such as business income, rental income, commission and many more.
P7	Inland Revenue Board Malaysia (IRBM) do not provide enough information to the Public regarding MTD as final tax.

3.5 Research Design

Research design is a method or procedure that monitors the researcher in providing answers to research questions and meeting the desired objectives (Zikmund, Babin, Carr, & Griffin, 2013). Quantitative research approach has been chosen to meet the objectives of this study. Quantitative research design is the most appropriate method for a study that aims to analyze many variables (Cresswell, 2009). Besides that, Mckerchar (2010) states that a quantitative

research technique is the most proper method to test patterns of a framework that was based on existing studies of relationship and casual impacts.

Furthermore, quantitative methods emphasize objective measurements and the statistical, mathematical, and surveys, or by manipulating pre-existing statistical data using computational techniques. Quantitative research focuses on gathering numerical data and generalizing it across groups of people or to explain a specific phenomenon. (Babbie, 2010; Mujis, 2010). In this study, quantitative methods are used due to the nature of the data required by the study. This study uses a survey research design, and a survey design is one of the most collective types of quantitative research method. The survey research can be well-defined as "the collection of information from a sample of individuals through their responses to questions" (Check & Schutt, 2012, p. 160). Moreover, the survey studies are appropriate for the portrayal, correlation and examining the relationships between subject factors (Visser, Krosnick & Lavrakas, 1997).

3.6 Data Collection

Data collection method refers to the techniques that were used in gathering data for analyzing to make relevant decisions. This study carried out a survey to gather the taxpayer's view on the topic studied. This is to certify the level of intention to accept Monthly Tax Deduction (MTD) as final tax by the taxpayers. Another

reason for using survey method is because the method assist the researcher in gaining the relevant information. According to Mckerchar (2010), survey is the most favorable used method in data collection for behavioral research. Therefore, data was gathered by administrating a questionnaire to the taxpayers who are included in the sample. The questionnaires were distributed to the taxpayers in personal.

3.6.1 Data Collection Procedures

In the process of collecting data for the survey conducted in this study a well-structured self-administered questionnaire was designed. The planned procedure was followed to obtain the required information from the respondents to meet the objectives of this study. The data collection procedure included designing the questionnaire and subjecting the items in the questionnaire to its validity and reliability tests. The validity test was carried out with the two experts in Kulim, Kedah. Furthermore, a pilot study was carried out to ensure that the respondents in the sample understands the questions, the pilot test conducted allows the justifying the constructed face validity. The feedback received assisted in improving the research instrument. At the stage of developing the questionnaire, the questions were evaluated to see how well potential respondents could manage to understand the instrument. This was done by sending a copy of the questionnaire to two experts in Kulim, Kedah to review the questions and their comments were taken into count to make the questionnaire more concise and

precise for respondents. Finally, the questionnaire was distributed to the respondents during the period of two weeks, from 6th November to 24th November 2017. 300 questionnaires were distributed to the respondents. The questionnaire was distributed with a cover letter refer to **Appendix 2** and a set of Questionnaire refer to **Appendix 3** to the public sector salaried taxpayers entitled to the MTD included 10 different government agencies in Kulim. Besides for the public sector, the questionnaire was distributed to the private sector salaried taxpayers entitled to the MTD included 10 organizations from the education, banking, and private agencies.

3.7 Population of the Study

Population is the entire number or the group of possible units or observation (Zikmund et al.; 2013) the population of this study covers salaried taxpayers in Kedah who is subject to MTD. According to the internal source from IRBM it is stated that the total number of e-filing for the BE Forms filled for the year of assessment 2016 is about 2.6 Million tax forms. This shows that 2.6 Million tax forms are being filed for the salaried tax payers in Malaysia. The actual population for the salaried taxpayers in Kedah is not being disclosed by the IRBM even though researcher had made an effort to call IRB Kedah to gather the actual population.

3.8 Samples and Sampling Techniques

Samples are well-defined making interpretations approximately on the population of concern. Different from a census where everyone is surveyed, responses from a sample of people do not match the population. Survey sampling is the art and science of “coming close” and raising “good estimates” of what people think or do (Salant & Dillman, 1994). The study used probability sampling. The target population of this study is the salaried taxpayers in Kedah, and every individual who pays tax had the same probability of being part of the sample. The sample was selected from 300 salaried taxpayers in Kulim, Kedah which represent the private and public sectors. Since the actual population on the salaried taxpayers in Kedah is unknown, 300 questionnaires were distributed to the respondents. According to Sekaran (2003), the rule of thumb in the process of sample size determination is that the sample size larger than 30 and less than 500 are considered to be suitable with the minimum size of sample is 30% of the population for most of the research.

3.9 Questionnaire Design

Questionnaire design involves the construction of an instrument that involves choosing the appropriate layout and formats, the appropriate scales of measurement, precise and concise wording and finally the orderly presentation of the questionnaire (Sallant & Dillmant, 1994). This study used a questionnaire as a

primary tool for collecting data from the respondents. This adopted constructs and measurements of the previous studies. This study also used the questionnaire comprising closed-ended questions adopted from the previous studies and were modified to suit this study.

The questionnaire comprised three sections, which are *Section A* consist of the demographic variable of the respondents, *Section B* contains the information regarding the perception on MTD as final tax for dependent variable of intention and independent variables consist of attitude, subjective norm and perceived behavioral control and *Section C* is mainly on the perception on MTD as final tax by ranking the items as the problem area on the implementation of MTD as final tax in the respondent's organization. The questionnaire contained 20 statements relative to intention to accept monthly tax deduction as final tax which were constructed with 5-point Likert-type scales.

3.10 Techniques of Data Analysis

The data collected were analyzed using the Statistical Package for the Social Sciences (SPSS) version 20.0 the statistical methods carried out in this study includes descriptive statistics, reliability analysis, and correlation and regression analysis. Descriptive statistics were utilized as part of this research to reduce the information to a sensible size and provide important information about the

respondents and to have a clear picture on the information gathered. The descriptive statistics techniques used in this study were mean and standard deviation. In this study, the reliability of the measures was determined by testing the consistency of the measurement items using Cronbach's Alpha because Cronbach's Alpha is utilized broadly for social science research (Hair et.al, 2010; Sekaran and Bougie, 2010).

Correlation analysis was carried out to determine the relationships between attitude, subjective norm, perceived behavioral control and intention to accept Monthly Tax Deduction (MTD) as final tax. The correlation analysis was mainly to direct the direction of the relationship between the dependent variable and the independent variable which can be either positive or negative relationship to accept Monthly Tax Deduction (MTD) as final tax. The regression analysis conducted to identify the most significant factors that affect the acceptance of Monthly Tax Deduction (MTD) as final tax. The correlation and regression analysis were evaluated using open ended question in the questionnaire. Lastly, to evaluate the areas of problem to the employees for employees' to opt for Monthly Tax Deduction (MTD) as final tax this was done by ranking the given problems on the implementation of MTD as final tax in the respondents' organization.

3.11 Pilot test

A pilot study was carried out in this study to examine the reliability of the instrument in the questionnaire. A total of 30 sample questionnaire forms were distributed to the identified private and public salaried tax payers entitled to the monthly tax deduction (MTD) at Kulim, Kedah. The result of the pilot study shows that Cronbach's Alpha for all the variables fell in the range of 0.8-0.9. This indicated that the questions were consistent and reliable in capturing the information from the respondents this is due to the Cronbach Alpha for all the variables was more than 0.6. The reliability statistics carried out for this study shows that, the Cronbach's Alpha for the 20 variables tested in the questionnaire was 0.930. This conclusion was reached based on the recommendation of Sekaran and Bougie (2010) who states that reliability with Cronbach Alpha less than 0.6 are considered to be poor, in the range of 0.6 to 0.7 are satisfactory and those more than 0.8 are considered to be good. Since the Cronbach Alpha tested for all the variables in the questionnaire was 0.930. Therefore, no changes were made to the final questionnaire after the pilot test was carried out. Table 3.6 below provides detailed information on the Cronbach Alpha of each variable.

Table 3.6

Pilot Study Reliability Test Results

Variables	No.of Items	Cronbach Alpha
Attitude	5	0.909
Subjective Norm	5	0.845
Perceived Behaviour Control	5	0.878
Intention to accept MTD as final tax	5	0.953

3.10 Summary of the Chapter

This chapter discussed on the methodology engaged in conducting this study. The chapter comprises the research design, the research framework and hypothesis development, collection the data, population and sample selection, variable measurement in the study ad finally, a technique for data analysis. The next chapter discusses on the data analysis and the research findings.

CHAPTER 4

RESEARCH FINDINGS

4.1 Introduction

This chapter interprets the findings of the research. The data analysis was conducted by SPSS version 22.0, and the demographic data of the respondents was analyzed using descriptive statistics. This chapter comprises sub-sections that comprise the response rate, pre-analysis test, demographic information of the respondents, descriptive statistics, correlation analysis, multiple regression analysis and the chapter summary.

4.2 Response Rate

The response rate refers to the questionnaires received back by the researcher which are answered completely by the respondents. Table 4.1 below shows the detailed analysis of the response rate of the questionnaire administered.

Table 4.1
Analysis of Response Rate

Description	Number	Rate (%)
Questionnaires Administered	300	100%
Questionnaires Not Received	140	46.7
Responses Received	160	53.3
Invalid Responses	(51)*	17.0
Valid/Usable Responses	109	36.3

*Note: * some questionnaires were considered invalid due to the omission of too many items and or because the respondents choose two options for an item.*

A minimum sample required for a research carried out is at least five observations per independent variable according to (Hair, Black, Babin, Anderson, & Tatham, 2010). Conversely, according to (Hair et al.2010), to have a desirable sample size, 15 to 20 observation are essential per independent variable. This study had three independent variables and one dependent variable, so in line with (Hair et al 2010), a sample size of 60 to 80 observation would be sufficient for this study. Thus, the 109 usable responses were considered sufficient to conduct analysis for this study.

4.3 Pre-Analysis Test

A pre-analysis test was conducted to ensure that the data was normally distributed. The reliability test and test for normality assumption are shown in the following sub headings.

4.3.1 Factor Analysis

The primary data collected were further screened using factor analysis to confirm that the data were uni-dimensional. Factor analysis is a measure used in multivariate data analysis. The main purpose of the factor analysis to be carried out is to identify any factor that has caused co-variations among the independent variables. This is mainly to reduce the number of items in variables that is used to explain a relationship. According to Walker and Maddan (2009), the Kaiser-Meyer-Olkin (KMO) statistic, which measures share variances, must be greater than 0.5 while the Bartlett's test of sphericity *p*-Value must be less than 0.001 (Beavers, Lounsbury, Richards, Huck, Skolits & Esquivel, 2013). The conclusion that can be made from the study carried out is that the data collected were uni-dimensional because the KMO was greater than 0.5 and Bartlett's test of sphericity *p*-Value was less than 0.001, Refer **Appendix 4**. The details of KMO and Bartlett's test of sphericity are provided in Table 4.2.

Table 4.2
KMO and Bartlett's Test of Sphericity (n=109)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.903
Bartlett's Test of Sphericity	Approximate. Chi-Square	2471.846
	df	190
	Sig.	.000

4.3.2 Reliability Analysis

To test the internal consistency of the instruments that was used to carry out this study, a reliability test was utilized to determine the Cronbach's alpha of each variable. According to Hair et al. (2010), a Cronbach's alpha coefficient of 0.10 to 0.40 is considered to have a poor reliability value, 0.50 to 0.94 is regarded as having a good reliability value while 0.95 to 0.99 considered as having an excellent reliability value. Furthermore, Sekaran and Bougie (2013) stated reliabilities with a Cronbach's alpha of less than 0.6 are considered to be poor, those ranging from 0.6 to 0.7 are considered to be acceptable and those above 0.8 are considered to be good.

In this study, the reliability for each variable tested attitude (0.957), subjective norm (0.856), perceived behavior control (0.921) and intention to accept MTD as final tax (0.948). These coefficients are within the acceptable range of 0.5 to 0.95

as stated by Piaw (2012) and considered good by Hair et al (2010). The results presented that the responses provided by the respondents of the questionnaire were consistent, reliable, and stable. The reliability tests results are shown in Table 4.3 below.

Table 4.3
Test of Reliability Test Results (n=109)

Variables	No.of Items	Cronbach Alpha
Attitude	5	0.957
Subjective Norm	5	0.856
Perceived Behaviour Control	5	0.921
Intention to accept MTD as final tax	5	0.948

4.3.3 Multicollinearity

The extent of the relationship between two or more variables is indicated by the term multicollinearity. Pallant (2007) stated multicollinearity exists when the relationship between some independent variables is highly correlated. The presence of multicollinearity, the predictive power of every particular independent variable is condensed by the extent by which it is related to another independent variable (Hair et al., 2010). Multicollinearity can be detected through the correlation between independent variables. The literature suggests that a

correlation greater than .90 is an indication that multicollinearity may be a problem. (Meyers, Gamst, & Guarino, 2006)

Besides that, to assess the existence of multicollinearity in multiple variables, the tolerance and variance inflation factor (VIF) can be used in detecting its presence among the variables. Generally, no multicollinearity problem is present if the value of VIF is less than 10 (Pallant, 2007).

In the study carried, it shows that the VIF for Attitude, Subjective Norms and Perceived Behavioral Control were 2.225, 1.929 and 2.777 correspondingly. This shows that the VIF value for each of the variables was not greater than 10, which corresponds to a tolerance value of 0.1, no multicollinearity problem exists. This indicates that the assumptions of multicollinearity have not been violated. The details of Variance inflation factor for the independent's variables are provided in the Table 4.4.

Table 4.4
Variance Inflation Factors of the Independent Variables

Variable		Tolerance	VIF
Attitude		0.450	2.225
Subjective Norm		0.519	1.929
Perceived Control	Behavior	0.360	2.777

4.3.4 Normality test

The normality of data in the multiple regression techniques is assumed when the score of the residuals are distributed regarding dependent variable (Pallant, 2007). Statistical and graphical methods can be used in assessing the normality of the data. Based on the statistical methods, skewness and kurtosis are among the statistical measures most used in examining the normality of the data. According to Meyers,(Gamst & Guarino 2006), the value of skewness and kurtosis should not exceed ± 1.96 (for .05 significant levels) and ± 2.58 for .01 significant levels). On assessing the normality of data using graphical methods, (Hair et al. 2010) stated that the normality plot is the most reliable method for assessing normality of data. Normality is assumed if the data distribution follows a diagonal line. Furthermore, the normal (bell-shaped) curve in the histogram explains the relationship of the actual distribution with the normal curve to facilitate comparison of the actual distribution with the normal curve (Hair et al.2010). Refer **Appendix 5A & 5B** which shows the Histogram of Dependent Variable (Intention to Accept the MTD as final tax) and the Normal P-Plot of Regression Standardized Residual of the study.

This study showed that the normality of the data was assessed using both statistical and graphical methods as recommended in (Meyers, Gamst, and Guarino 2006). The normality of each variable was measured using skewness and kurtosis. The results are as shown in Table 4.5 which indicated that all the

skewness and kurtosis values of all the variables tested which are attitude, subjective norm, perceived behavior control and intention are within the range as suggested by Meyers et al. (2006) variables except for the kurtosis for intention to accept MTD as final tax which is slightly higher but still bell shape according to the histogram referring to the **Appendix 5A**. The details of the statistical normality test are provided in Table 4.5.

Table 4.5
Testing for Normality

Variable	Statistics			
	Mean	SD	Skewness	Kurtosis
Attitude	18.8716	4.39718	-1.108	1.603
Subjective Norm	17.0183	4.34610	-0.999	1.116
Perceived Behavior Control	18.6422	3.98033	-1.227	2.468
Intention to Accept MTD as final tax	19.4827	4.01807	-1.207	2.751

As part of the regression analysis, the probability plot was used in checking the normality of the whole data distribution, Residuals of the scatterplot shows that the relationship between the three independent variables (Attitude, Subjective Norm and Perceived Behavior Control) and the dependent variable (Intention to Accept MTD as final tax) attained the threshold of linearity and normality.

The results in **Appendix 5A & 5B** indicates that the data distribution for the regression fairly followed the diagonal line as Hair et al. (2010) recommended. Based on the results of the statistical and graphical assessment of the data distribution, the data are assumed to be fairly normal.

4.4 Demographic Information of the Respondents

This study engaged descriptive analysis to describe the vital characteristics of the data examined in this study. Each characteristic were précised in a simple way. The gender, age, marital status, employment sector, type of employment, ethnicity, education, annual income, working experience, filing method, tax reliefs claimed and awareness on the MTD implementation were described on the descriptive statistics.

Table 4.6 shows the classification of the respondents according to their demographic characteristics. This study shows that 52.3 % are female and 47.7% were male respondents. This interprets that most of the salaried taxpayers studied were females. The table shows that 15.6% of the respondents were below 20 to 30 years of age, while 60.6% of respondents fell within the range 31-40 years of age. Furthermore, 21.1% of the respondents were between the ages of 41-50 years and 2.8% of the respondents were 51 years and above. Thus, most of the respondents ranged between 31- 40 years of age in the study carried out.

The marital status of the respondents is shown in the Table 4.6 which indicates 18 respondents representing 16.5% of the total respondents were single while 90 respondents representing 82.6% of the total respondents were married where else 1 respondent represented 0.9% the total respondents as others which refers to a divorcee. This study indicates that majority of the respondents in the study carried out were married.

The employment sector of the respondents shows that 36 respondents representing 33% of the total respondents were from the private sector while 73 respondents representing 67% of the total respondents were from the public sector.

In this study, type of employment was studied consisting managerial level, administration/clerical level, technical level and others. For the managerial level 30 respondents representing 27.5%, administration/clerical level 38 respondents representing 34.9%, the technical level 19 respondents representing 17.4% and others refers to the academician which resulted to 22 respondents representing 20.2% of the total respondents. Thus, most of the respondents were from the administration/clerical level in the study carried out.

The ethnicity refers to the Malay, Chinese, Indian and others in this study. The Malay ethnic 59 respondents representing 54.1%, Chinese ethnic 3 respondents representing 2.8%, Indian ethnic 46 respondents representing 42.2% and other here refers to the Sikh ethnic 1 respondent representing 0.9% of the total respondents. Thus, the majority of the respondents were from the Malay ethnic in this study.

The education backgrounds of the respondents are given in detailed in Table 4.6. The table reveals most of the respondents about 37.6% had a Bachelor's Degree, followed by Diploma 24.8%, Master 17.4% followed by SPM 13.8%, STPM 4.6% and PhD 1.8% represented the total respondents.

With respect to the level of income for the respondents, Table 4.6 indicated that 34.9% of the respondents earned less than RM36, 000, 36.7% of the respondents earned income between RM36, 000 – RM69, 999, and 19.3% of the respondents earned income between RM70, 000 – RM99, 999 while 6.4% of the respondents earned income between RM100, 000-RM129, 999 and 2.8% of the respondents earned income from RM130, 000 and above. Table 4.6 below provides the details of demographic information of the respondents.

Table 4.6
Demographic Information of the respondents (n=109)

Category	Frequency	Percentage (%)
Gender		
Male	52	47.7
Female	57	52.3
Age		
30 and below	17	15.6
31 - 40	66	60.6
41 – 50	23	21.1
51 and above	3	2.8
Marital Status		
Single	18	16.5
Married	90	82.6
Others	1	0.9
Employment Sector		
Private	36	33.0
Public	73	67.0
Type of Employment		
Managerial Level	30	27.5
Administration/Clerical Level	38	34.9
Technical Level	19	17.4
Others	22	20.2
Ethnicity		
Malay	59	54.1
Chinese	3	2.8
Indian	46	42.2
Others	1	0.9

Education		
SPM	15	13.8
STPM	5	4.6
Diploma	27	24.8
Degree	41	37.6
Masters	19	17.4
PhD	2	1.8
Annual Income		
Less than RM36,000	38	34.9
RM36,000-RM69,999	40	36.7
RM70,000-RM99,999	21	19.3
RM100,000-RM129,999	7	6.4
RM130,000 and above	3	2.8
Working Experience		
Less than 1 year	2	1.8
1 – 4 years	9	8.3
5 – 9 years	38	34.9
10 – 19 years	46	42.2
20 more years	14	12.8
Filing Method		
E-filing	104	95.4
Manual filing	4	3.7
MTD as final tax	1	0.9
Tax reliefs normally claimed		
Children	65	59.6
Wife	23	21.1
EPF	32	29.4
Life Insurance	63	57.8
Medical Insurance	55	50.5
Parents Care	30	27.5
Books	53	48.6
SSPN	16	14.7
Others (Zakat)	8	7.3
Implementation of MTD as final tax awareness		
Yes	76	69.7
No		

In terms of the working experience of the respondents, the table indicates that 2 respondents representing 1.8% of the total respondents had been working for less than one year, while 9 respondents representing 8.3% of the total respondents had working experience in the range between 1-4 years, whereas 38 respondents representing 34.9% of the total respondents had working experience in the range between 5 – 9 years, also 46 of respondents representing 42.2% of the total respondents had working experience in the range between 10 – 19 years and 14 respondents representing 12.8% of the total respondents had working experience 20 years and above.

Further the table also stated the Filing Method used by the respondents. Most of the respondents used E-filing method to file their tax which resulted to 104 respondents representing 95.4% of the total respondents, for manual filing only 4 respondents representing 3.7% of the total respondents, and MTD as final tax only 1 respondent representing 0.9% of the total respondents, this shows that majority of the respondents used E-filing as their preferable filing method to file their taxes.

Table 4.6 also shows the tax reliefs normally claimed by the respondents. This study indicated that tax reliefs normally claimed by the respondents are children is in the first rank, secondly is the life insurance, followed by the medical insurance,

book and EPF contribution is the main 5 top reliefs claimed by the respondents compared to the wife, parents care, SSPN and other mainly states the ZAKAT contribution fewer tax reliefs claimed by the respondents in this study.

Lastly, the implementation of MTD as final tax awareness states that 76 respondents representing 69.7% of the total of the respondents are still not aware whereas 33 respondents representing 30.3% of the total respondents are aware on the government implementation of MTD as final tax where the respondents do not have to submit the tax form if the respondent opts for the new scheme.

4.5 Descriptive Statistics

A descriptive analysis was conducted to obtain the mean scores, frequency, percentage and standard deviations of the dependent and independent variables. The mean value of the variables was obtained by measuring the data on a 5-point Likert –type scale. The greater the mean on this scale, the greater the agreement for each variable. Mean values nearest to five are considered to be better, while values close to zero are considered bad. A score equal to or more than 4 shows a high level of agreement with the particular criterion ; a score equal to or less than 2 was considered to be low, and a mean score of 3 was considered as indicated at moderate agreement. In some scales, the wording of items was rephrased to

reflect the recoding process. A detailed description of the descriptive statistics of the variables is presented in the following sections.

4.5.1 Intention to accept MTD as final tax

The descriptive statistics with respect to the respondent's intention to accept MTD as final tax are shown in Table 4.10. The results show that the mean scores concerning the responses of the respondents on the intention to accept MTD as final tax ranged 3.77 – 3.82, the standard deviations ranged from 0.849 to 0.936 and the average mean score is 3.83. Most respondents on average had a high level of agreement with the items under intention to accept MTD as final, which means that most of the respondents are positive to opt for MTD as final tax. The details of the descriptive statistics of intention to accept MTD as final are presented in Table 4.7.

Table 4.7
Descriptive Statistics for Intention to accept MTD as final tax (n=109)

Item	Min	Max	Mean	SD
I feel it would be easy for me to opt MTD as final tax.	1	5	3.78	0.886
There are no barriers to use MTD as final tax.	1	5	3.77	0.867
With my tax knowledge I will have no difficulties to opt MTD as final tax.	1	5	3.81	0.876
Applying MTD as final will reduce my burden to submit tax return form if I'm satisfied.	1	5	3.90	0.849
I will use MTD as final tax in near future.	1	5	3.89	0.936

4.5.2 Attitude

The descriptive statistics with respect to the attitude of the respondents are shown in Table 4.7. The results show that the mean scores concerning the respondents' responses for all statements on attitude ranged from 3.66 to 3.94, the standard deviation ranged from 0.911 to 1.002 and the average mean score is 3.78. Most respondents on average had an intermediate level of agreement with the items under attitude, meaning that the respondents will comply or the respondents' level of acceptance when the respondents choose to accept Monthly Tax Deduction (MTD) as final tax will be intermediate. The details of the descriptive statistics of attitude are presented in Table 4.8.

Table 4.8
Descriptive Statistics for Attitude (n=109)

Item	Min	Max	Mean	SD
I like using MTD as final tax.	1	5	3.66	1.002
I feel good about using MTD as final tax.	1	5	3.67	0.972
I think positively toward using MTD as final tax.	1	5	3.83	0.951
The MTD as final tax make easy for me to file my tax.	1	5	3.94	0.911
I strongly agree about the MTD as final tax suggested by the IRBM.	1	5	3.77	0.919

4.5.3 Subjective Norm

The descriptive statistics with respect to the respondent's subjective norm are shown in Table 4.8. The results show that the mean scores concerning the responses of the respondents on subjective norm ranged 3.06 – 3.7, and the standard deviations ranged from 0.953 to 1.304 and the average mean score is 3.40. Most respondents on average had an intermediate level of agreement with the items under subjective norm, which means that most of the respondents made effort to opt for MTD as final tax. The details of the descriptive statistics of subjective norm are presented in Table 4.9.

Table 4.9
Descriptive Statistics for Subjective Norm (n=109)

Item	Min	Max	Mean	SD
My employer encourages me to opt for MTD as final tax.	1	5	3.06	1.304
My family and peers would approve my decision to use MTD as final tax is financially beneficial to me to use.	1	5	3.35	1.057
My family members feels that I should to opt for MTD as final tax.	1	5	3.47	1.050
My friend feels I should opt for MTD as final tax.	1	5	3.43	1.057
I feel please to opt for MTD as final tax.	1	5	3.72	0.953

4.5.4 Perceived Behaviour Control

The descriptive statistics with respect to the respondent's perceived behaviour control are shown in Table 4.9. The results show that the mean scores concerning the responses of the respondents on perceived behaviour control ranged 3.57 – 3.82, the standard deviations ranged from 0.884 to 0.931 and the average mean score is 3.70 . Most respondents on average had a high level of agreement with the items under perceived behaviour control, which means that most of the respondents are positive to opt for MTD as final tax. The details of the descriptive statistics of perceived behaviour control are presented in Table 4.10.

Table 4.10
Descriptive Statistics for Perceived Behaviour Control (n=109)

Item	Min	Max	Mean	SD
I feel it would be easy for me to opt MTD as final tax.	1	5	3.80	0.931
There are no barriers to use MTD as final tax.	1	5	3.57	0.917
With my tax knowledge I will have no difficulties to opt MTD as final tax.	1	5	3.64	0.938
Applying MTD as final will reduce my burden to submit tax return form if I'm satisfied.	1	5	3.82	0.894
I will use MTD as final tax in near future.	1	5	3.82	0.884

4.6 Relationship between Variables-Correlation Analysis

Pearson Product Moment Correlation analysis was used to investigate the relationship between the dependent and the independent variables. This test is described as a parametric test that is used in analyzing a linear relationship. (Piaw, 2012). Correlation coefficients of 0.10, 0.30 and 0.50 are referred as low, medium and high coefficients respectively. The result of the correlation analysis was used to study the relationship that exists between attitude, subjective norm, perceived behavior control and intention to accept MTD as final tax. The results indicate that a positive relationship existed between attitude, subjective norm, perceived behavior control and intention to accept MTD as final tax.

The result shows that there is a positive relationship between attitude and intention with correlation coefficient of .778 and p -value 0.000. This indicates there is a statistical evidence to support the relationship between attitude and intention to accept MTD as final tax.

The Person product movement analysis specified that there is a relationship between subjective norm and intention with a correlation coefficient of .536 and p -value equal 0.001. As stated in Table 4.11, statistical results confirmed that is relationship between subjective norm and intention to accept MTD as final tax.

Lastly, Table 4.11 shows that with a p-value of 0.000 and correlation coefficient of .833, there is an evidence to support that there is a positive relationship between perceived behavioral control and intention to accept MTD as final tax. Table 4.11 shows the details of correlation between the variables.

Table 4.11
Correlation between Variables (Pearson Product Movement Correlation)

Variables	Attitude	Subjective Norm	Perceived Behavior Control	Intention
Attitude	1.000			
Subjective Norm	0.580**	1.000		
Perceived Behavior Control	0.734**	0.684**	1.000	
Intention	0.778**	0.536**	0.833**	1.000

** Correlation is significant at the 0.01 level (2 tailed)

4.7 Multiple Regression Analysis

To investigate factors that significantly influences intention to accept monthly tax deduction (MTD) as final tax, standard regression analysis utilized in this study. This is because standard regression allows the entire variable to be inserted into the model at one time and evaluated on the contribution to variance (Sekaran & Roger, 2013).

The results of the multiple regression analysis using the standardized model are shown in Table 4.12 below. An R-square of 76.1% and an adjusted R-square of 75.4% means that the determinants of intention to accept MTD as final tax under study explained 75.4% of intention to accept MTD as final tax. The result equally explained the degree to which intention to accept is being influenced by the determining items. The major contribution of the variables studied shows that the Theory Planned Behavior used to carry out this study is very suitable and supports the study on the intention to accept MTD as final tax.

Table 4.12

Summary of the Standard Regression Model

Model Summary	R	R Square	Adjusted R Square	Std Error of the Estimate
Model				
1	.872 ^a	.761	.754	1.99221

- a. Predictors: (constant), Attitude, Subjective Norm, Perceived Behaviour Control and Intention

Furthermore, the coefficient analysis result showed that attitude and perceived behavior control have a significance influence on intention. Based on Table 4.13, the results of the variable are significant at $p < 0.01$. The results indicated that among the attitude and perceived behavior control is significant while subjective

norm is not significant. The result shows that the attitude and perceived behavior control variables have the p-value .000 for both the variables in which all are significant at 1% level of significance. Out of the two variables that are significant, perceived behavior control is has the highest level of intention to accept MTD as final tax with highest *Beta* of 0.635, t-value of 7.986 and p-value of 0.00. Hence, perceived behavior control is the most significant determinants of intention to accept MTD as final tax. Besides, the subjective norm is the insignificant determinants of intention to accept MTD as final tax due to the related parties influence on the salaried taxpayers to opt for MTD as final tax. The detail of the results of regression analysis is presented in Table 4.13.

Table 4.13
Coefficients of Standard Regression Model

Model	Unstandardized Coefficients		Standardized Coefficients	T	P-value
	B	Std. Error	Beta		
Constant	2.507	.961		2.609	.010
Attitude	.348	.065	.380	5.347	.000**
Subjective Norm	-.110	0.61	-.119	-1.793	.076
Perceived Behaviour Control	.641	0.80	.635	7.986	.000**

Dependent variable: Intention

**Significance at 1% level of significance

4.8 Areas of Problem

Section C in the questionnaire distributed was mainly on the perception of the salaried taxpayers entitled to MTD on the new system implementation MTD as final tax in the respondent's organization. Table 4.14 shows the rank of the areas of problem in the organization to implement MTD as final tax.

Table 4.14
Ranking of the areas of problem in MTD as final implementation

No.	Statement
1	Inland Revenue Board Malaysia (IRBM) do not provide enough information to the Public regarding MTD as final tax.(P7)
2	Employer is not ready to opt for MTD as final tax. (Example: No proper system).(P5)
3	Too many reliefs need to be computed makes the MTD more complicated.(P4)
4	MTD system is not user friendly.(P2)
5	MTD is more tedious than the current tax filing.(P3)
6	MTD calculation is not accurate.(P1)
7	Other sources of income such as business income, rental income, commission and many more.(P6)

The main areas of problem ranked by the respondents are the Inland Revenue Board Malaysia (IRBM) do not provide enough information to the Public regarding MTD as final tax (P7). Followed by the Employer is not ready to opt for MTD as final tax. (Example: No proper system) (P5). Next, too many reliefs need to be computed makes the MTD more complicated (P4). The areas of problem ranked from 1-3, indicates that the IRBM has to carry out more awareness to the public regarding the MTD as final tax in order to reach the objective of the MTD as final tax which is to reduce the burden of the taxpayers to file their tax return. Besides that, IRBM must play an important role to educate the employers on the MTD as final tax computation to ease the employers. Nevertheless, the minor areas of problem ranked are MTD system is not user friendly (P2), followed by the MTD is more tedious than the current tax filing (P3), ranked next is MTD calculation is not accurate (P1) and lastly ranked is Other sources of income such as business income, rental income, commission and many more (P6). The minor areas of problem ranked from ranking 4-7 shows the weakness of the MTD as final tax system itself.

4.9 Summary of the Chapter

The outcome of the data analysis in this study was discussed widely in this chapter. The descriptive statistics method was utilized to analyze the demographic information of the respondents as well as the overall mean and standard deviation of each of the variables in this study. Pre-analysis tests were used to screen the data before the regression and correlation analysis was carried out, and the results indicated that the data were fairly distributed and met all the requirements to carry out the analysis.

Finally, correlation analysis was used to examine the relationship between variables and regression analysis was used to investigate the significance of the independent variables to the model. The discussion of results as well as recommendations and conclusion are discussed in the next chapter.

CHAPTER 5

DISCUSSION, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

The research outcomes of the study carried out are discussed in this chapter to answer each of the research questions and hypotheses. The chapter begins with a discussion of the results, which was then followed by the implication and limitation of the study. This section contains the recommendations for upcoming researchers and the conclusion.

5.2 Discussion the Results

This study aimed to investigate the relationship between attitudes, subjective norm, perceived behavioral control and intention to accept Monthly Tax Deduction (MTD) as final tax among the salaried tax payers in Kulim, Kedah. Based on this objective, the study provides answers to the research questions that were raised in chapter one. These answers are being supported by the regression and correlation analysis results that were presented in detail in the proceeding

chapter. Therefore, the research findings are discussed in this section to provide an answer to each of the research questions raised.

5.2.1 Relationship between independent and dependent variable

In order to provide an answer to the research question which raised questions that investigated the relationship between independent variables (attitude, subjective norm, perceived behavioural control) and the dependent variable (intention) to accept MTD as final tax. The research analysis performed on hypotheses H1, H2 and H3 provides facts in relation to the relationship between attitude, subjective norm, perceived behavioural control and intention to accept MTD as final tax. The discussion of the outcomes is presented in the following sub-section.

5.2.1.1 Relationship between Attitude and Intention to accept Monthly Tax Deduction (MTD) as final tax

H1: There is a positive relationship between attitude and intention to accept monthly tax deduction (MTD) as final tax among salaried taxpayers.

The purpose of this study was to examine the relationship between attitude and intention to accept monthly tax deduction (MTD). The descriptive statistics of the

responses given by the mean score on attitude on the intention to accept monthly tax deduction provide evidence indicating that individual taxpayers have a high esteem on their attitude to accept monthly tax deduction as final tax in Kulim, Kedah. On the relationship between attitude and intention to accept monthly tax deduction as final tax, the study's regression result supported hypothesis (H1) and established that the attitude were significant and had a positive relationship towards the intention to accept monthly tax deduction as final tax. This study shows that, the taxpayers has a positive attitude towards accepting monthly tax deduction as final tax this may be due to the taxpayer's understanding on the objective of the newly implemented scheme is to reduce the taxpayer's burden to file their taxes.



5.2.1.2 Relationship between Attitude and Intention to accept Monthly Tax Deduction (MTD) as final tax

H2: There is a relationship between subjective norm and intention to accept monthly tax deduction (MTD) as final tax among salaried taxpayers.

The study hypothesized that the hypothesis did not support subjective norm and intention to accept monthly tax deduction (MTD) as final tax were insignificant and negative to accept monthly tax deduction (MTD) as final tax. The evidence from the study suggests that the taxpayers who are entitled to monthly tax

deduction (MTD) have lower intention to accept monthly tax deduction (MTD) as final tax. This can be due to the related parties such as the family members, friends, the salaried taxpayer itself and the employer influence to opt for MTD as final tax. The role player in this context is the employer who may not encourage their employees to opt for MTD as final tax which mainly can be due to the employer readiness for the new scheme introduced and this new scheme is more tedious as it takes into account the tax reliefs claimed by the taxpayers.

5.2.1.3 Relationship between Attitude and Intention to accept Monthly Tax Deduction (MTD) as final tax

H3: There is a positive relationship between perceived behavior control and intention to accept monthly tax deduction as final tax among salaried taxpayers.

From the regression analysis performed in the study, the perceived behavior control has a positive significant relationship towards the intention to accept monthly tax deduction (MTD) as final tax. The finding of the study shows that, this hypothesis was supported. There is a significant relationship between perceived behavior control and intention to accept monthly tax deduction (MTD) as final tax. This might be due to the higher level of education among the respondents, which can be seen in fact, that most of the respondents own bachelor's degree, which makes it easier to understand the MTD.

5.2.2 Overall Findings of the Study

In the study carried out, the main objective of the study was firstly to investigate the relationships between attitudes, subjective norm, perceived behavioral control and intention to accept Monthly Tax Deduction (MTD) as final tax. Secondly, to identify the factors that affect the acceptance of Monthly Tax Deduction (MTD) as final tax. Lastly, to identify the areas of problem to the employees' to opt for MTD as final tax. Therefore, the overall study outcome is shown in the Table 5.1

Table: 5.1
Overall Findings of the Study

Variables	Relationship	Significant	Support on previous study	Mean Score	Justification
Attitude	Positive	Significant	Supported	High 3.66-3.94	The respondents are positive towards opting the MTD as final tax as 80% of the respondents are highly educated and 95.4% of the respondents are using e-filing as their filing method.
Subjective Norm	Negative	Insignificant	Not supported	Moderate 3.06-3.72	The respondents are moderate towards opting the MTD as final tax where 76% of the respondents are not aware of the implementation of MTD as final tax and the lowest mean score 3.06 is for the item my employer encourages me to opt for MTD as final tax.

Perceived Behavioral Control	Positive	Significant	Supported	High 3.57-3.82	The respondents are positive towards opting the MTD as final tax as 80% of the respondents are highly educated and the highest mean score 3.82 for two items which are applying MTD as final tax will reduce my burden to submit tax return form if I'm satisfied and I will use MTD as final tax in near future.
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5.2.3 Areas of Problem

The respondents ranked the main area of problem in the implementation of MTD as final tax in their organization is the Inland Revenue Board Malaysia (IRBM) does not provide enough information to the public regarding MTD as final tax. This is proofed by the respondents' response that 76% of the respondents are not aware on the implementation of MTD as final tax. The IRBM should take necessary steps to create more awareness among the taxpayers who will play the major role to make this system successful in implementation. Next, the most ranked area of problem by the respondents are that the employer is not ready to opt for MTD as final tax and followed by there are too many reliefs need to be computed makes the MTD more complicated. These two problems are very troublesome to the employers as they are fully responsible to compute the accurate MTD as final tax taking into count all the main and other related reliefs for each employee entitled to the MTD.

5.3 Summary of the Results

This study tested the relationship between attitudes, subjective norm, perceived behavior control and intention to accept Monthly Tax Deduction (MTD) as final tax among salaried taxpayer in Kulim, Kedah. Specifically, three hypotheses were developed and tested to achieve the objectives of the study. The results show that subjective norm was significant and negatively correlated to the intention to accept monthly tax deduction (MTD) as final tax while attitude and perceived behavior control was statistically insignificant and positively related to the intention to accept monthly tax deduction (MTD) as final tax. The summary of the results for each hypothesis are presented in Table 5.2 below.

Table 5.2
Summary of Results

Variable	Hypothesis	Results
Attitude	H1: There is a positive relationship between attitude and intention to accept monthly tax deduction (MTD) as final tax.	Supported
Subjective norm	H2: There is a relationship between subjective norm and intention to accept monthly tax deduction (MTD) as final tax.	Not Supported
Perceived Behavior Control	H3: There is a positive relationship between perceived behavior control and intention to accept monthly tax deduction (MTD) as final tax.	Supported

5.4 Implications of the Study

Based from the above discussion, the findings of this study have significant contributions, which have both theoretical and practical implications. These implications are discussed below.

5.4.1 Theoretical Implication

Since there are no studies carried out on the intention to accept monthly tax deduction (MTD) as final tax. This study was carried out to know the intention to accept monthly tax deduction (MTD) as final tax by the salaried taxpayers in Kedah. Theory Planned Behavior is found to be the suitable theory for this study as the R-square of 75.4%. This means that the determinants of intention to accept monthly tax deduction (MTD) as final tax under study explained 75.4% of intention to accept MTD as final tax as the government is in the stage of implantation on MTD as final tax. Therefore, this study has generally contributed for further research where this study explains that the salaried taxpayers have high intention to accept the MTD as final tax.

5.4.2 Practical Implication

The findings of the present study make practical contributions to developing economies, regarding policies that could increase the tax compliance behavior by

the salaried taxpayers and increase the government revenue in terms of tax collection and hence benefit the citizens of Malaysia. For instance, the present outcomes show there is a positive relationship between attitude and perceived behavior control on the intention to accept monthly tax deduction (MTD) as final tax by the salaried taxpayers in Kulim, Kedah. This finding means that the attitude and perceived behavior control has positively link to the higher education level of the individuals play an important role to the salaried taxpayers to accept the new MTD scheme introduced by the government.

The subjective norm demonstrated a negative relationship with the intention to accept monthly tax deduction (MTD) as final tax by the salaried taxpayers in Kulim, Kedah and this was probably due to the discouragement of the employer, family, and friends to opt for the MTD as final tax. Thus, the main role should be played by the employer to introduce the new MTD scheme to the employees which will reduce the employee's burden to submit their tax.

5.5 Limitations of the Study

As does all research, this study has limitations. The first limitation associated with this study is related to the population of the study from which the sample was drawn. This study was limited to the Kulim, Kedah taxpayers. Because of this limitation associated with sampling, generalization of the research findings is

made difficult due to the geographical setting across the states and country. Although this problem was minimized by conducting a pilot test and pre-test to ensure that the data would give fair representation of the population, drawing conclusions from the findings of this study should be done with attention.

Secondly, this study faces limitations derived from the nature of self-reported data. The respondents may or may not want to disclose the truth regarding their tax behaviors and opinions. This might have led to issues of non-response bias.

Lastly, this study was limited to the quantitative method using questionnaires, which does not provide room for the respondents to further express their views. Therefore, future research should use qualitative methods like interviews to enhance the data collection with a wider scope of sample selection.

5.6 Recommendations for Future Research

Based on the limitations of the study, possible fruitful areas of intention to accept monthly tax deduction (MTD) as final tax that might require the attention of future researchers are recommended. First, future researchers can test the variables that were utilized in this study with a larger and wider sample size across the states to see whether consistency can be established.

Next, the questionnaire can be prepared in the Google Form as an impressive method, giving a token or incentive to the respondents as a token an appreciation in taking part to answer the questionnaires, and lastly the survey can be carried out by telephone as it would be easier to communicate with the respondents.

Lastly, to minimize the limitation caused by the measurement, future researchers should utilize the chances of conducting more research on the intention to accept monthly tax deduction (MTD) as final tax using mixed method, which comprises both qualitative and quantitative research to reduce the problem of personal bias of the respondents.

5.7 Conclusion

This study empirically was examined through the three independent variables namely, attitude, subjective norm and perceived behavior control in relationship to accept monthly tax deduction (MTD) as final tax. The three hypotheses were formulated built on the theory and previous literature.

Data was gathered from the primary sources using a survey in the form of questionnaire. Analysis was done using multiple regression, descriptive statistics, reliability tests, Pearson correlations, multicollinearity tests and coefficients of the

regression. The results show that attitude, subjective norm and perceived behavior control 17% changes in the intention to accept monthly tax deduction (MTD) as final tax, while other variables outside the scope of the present study explained 83% of changes to accept monthly tax deduction (MTD) as final tax.

The study concluded that there is insignificant and negative relationship between subjective norms in the intention to accept monthly tax deduction (MTD) as final tax. However, attitude and perceived behavior control has a positive and significant relationship with intention to accept monthly tax deduction (MTD) as final tax.



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No.	Item	Maximum Amount Claimable (RM)
1.	Self and dependent	9,000
2.	Parents Medical Expenses or Restricted to 1 mother / father only	5,000 or 3,000
3.	Sports Equipment	6,000
4.	Individual disability	6,000
5.	Individual education fee	7,000
6.	Serious diseases Medical expenses	6,000
7.	Full medical check up	500
8.	Purchase of reading materials	1,000
9.	Purchase of private computer (once in every 3 years)	3,000
10.	SSPN's scheme (effective YA 2012 -YA 2017)	6,000
11.	Purchase of sport equipment for sport activities	300
12.	Interest consumed to finance purchase of residential property.	10,000
13.	Husband/Wife/Alimony Expenses	4,000
14.	Disability of Wife/Husband	3,500
15.	Child relief	2,000
16.	Child of 18 years and above who is receiving full-time education and is unmarried	2,000
17.	Unmarried child of 18 years and above that: (i) In Malaysia receive diploma or higher exclude matriculation/foundation. (ii) Outside Malaysia receive degree or including Master or Doctorate. (iii) the instruction and educational establishment approved by government.	8,000
18.	Disabled child Additional exemption of RM8,000 disable child age 18 years old and above, not married and pursuing diplomas or above qualification in Malaysia @ bachelor degree or above outside Malaysia in program and in Higher Education Institute that is accredited by related Government authorities.	6,000
19.	EPF and Life insurance	6,000
20.	Deferred Annuity and Private Retirement Scheme (PRS) - with effect from year YA 2012 -YA 2021	3,000
21.	Insurance premium for education or medical benefit	3,000
22.	Contribution to the Social Security Organization (SOC SO)	250

Source: IRBM, (2017)



LETTER OF REQUEST FOR DATA

19TH NOVEMBER 2017

Sir/Madam,

In partial fulfilment of the requirements of Master of Sc. (International Accounting) degree student in Universiti Utara Malaysia. A research entitled, Intention to Accept Monthly Tax Deduction (MTD) as Final Tax is carried out.

In the process of gathering data through survey that will be used in the study. Regarding this issue, I would like to enquire for the number of total Salaried Tax Payers entitled to the Monthly Tax Deduction (MTD) which is previously known as PCB in Kedah that will help me to obtain information to complete the study.

I would greatly appreciate your consent at my request. Thank you for your time and positive action.

Respectfully yours,

Charanjeet Kaur D/O Amtar Singh

Msc (International Accounting)

College of Business

Contact No : 012-5987400

Noted by: **Supervisor**

IDAWATI IBRAHIM



Dear Sir/Madam,

**PREDICTING THE INTENTION TO ACCEPT MONTHLY TAX DEDUCTION
(MTD) AS FINAL TAX AMONG SALARIED TAXPAYERS**

Congratulations! You have been selected to participate in a Monthly Tax Deduction (MTD) survey. The introduction of Monthly Tax Deduction (MTD) as final tax by the Inland Revenue Board of Malaysia is mainly to reduce the burden of the taxpayers to file tax return forms. However, currently, it is unknown on the acceptance of this new scheme. As a result, this study is undertaken to understand further of the factors that may influence taxpayers on the acceptance of the MTD as final tax and the area of difficulties. This study is part of the requirements by the Universiti Utara Malaysia in awarding the Master Sc. (International Accounting) degree. Your responses will be treated in strict confidential and will be used for academic purpose only. The questionnaire should take no more than 10 minutes of your time. Your assistance to answer the questionnaire is much appreciated in making this study successful. Thank you for your cooperation and giving part of your time for the survey. If you have any questions, please contact me or my supervisor.

Your sincerely,

Supervisor

Charanjeet Kaur D/O Amtar Singh

Dr. Idawati Binti Ibrahim

Msc (International Accounting)

E-mail: idawati@uum.edu.my

College of Business

Contact No : 012-5987400

E-mail: charanjeet.kaur85@yahoo.com

Section A: Demographic variable

Please tick (✓) the appropriate responses for all the questions given.

- | | |
|--|--|
| 1) What is your gender?
[] Male
[] Female | 8) Annual Income
[] Less than RM36,000
[] RM36,000-RM69,999
[] RM70,000-RM99,999
[] RM100,000-RM129,999
[] RM130,000 and above |
| 2) What is your age?
[] 30 and below
[] 31 - 40
[] 41 – 50
[] 51 and above | 9) Working Experience
[] Less than 1 year
[] 1 – 4 years
[] 5 – 9 years
[] 10 – 19 years
[] 20 more years |
| 3) Marital Status:
[] Single
[] Married
[] Others please specify _____ | 10) Filing Method
[] E-filing
[] Manual filing
[] MTD as final tax
[] Others please specify |
| 4) Employment Sector
[] Private
[] Public | 11) Tax reliefs normally claimed
[] Children [] Life Insurance
[] Books [] Wife
[] Medical Insurance [] SSPN
[] EPF [] Parents Care
[] Others please specify _____ |
| 5) Type of Employment _____
[] Managerial Level
[] Administration / Clerical Level
[] Technical Level
[] Others please specify | 12) Do you aware that government has implemented MTD as final tax where you do not have to submit the tax form if you opt for the new scheme?
[] Yes
[] No |
| 6) Ethnicity
[] Malay
[] Chinese
[] Indian
[] Others please specify _____ | |
| 7) Education
[] SPM [] STPM
[] Diploma [] Degree
[] Masters [] PhD
[] Others please specify _____ | |

SECTION B: Perception on MTD as final tax.

Monthly Tax Deduction (MTD) as final tax means the personal taxpayers who are under employment need not to file personal tax returns from the Year of Assessment (YA) 2014 onwards. The main purpose of MTD as final tax is to facilitate tax payers with employment income whose MTD have been made. Taxpayers are not required to submit tax return form if satisfied their MTD is final tax.

The following statements are on the perception of MTD as final tax. Please express your opinion for each of the following statements by circling one of the numbers using the following scale.

Strongly Disagree	Disagree	Neither Disagree nor Agree	Agree	Strongly Agree
1	2	3	4	5

1. Attitude

Code	Statement					
A1	I like using MTD as final tax.	1	2	3	4	5
A2	I feel good about using MTD as final tax.	1	2	3	4	5
A3	I think positively toward using MTD as final tax.	1	2	3	4	5
A4	The MTD as final tax make easy for me to file my tax.	1	2	3	4	5
A5	I strongly agree about the MTD as final tax suggested by the IRBM.	1	2	3	4	5

2. Subjective Norm

Code	Statement					
SN1	My employer encourages me to opt for MTD as final tax.	1	2	3	4	5
SN2	My family and peers would approve my decision to use MTD as final tax is financially beneficial to me to use.	1	2	3	4	5
SN3	My family members feels that I should to opt for MTD as final tax.	1	2	3	4	5
SN4	My friend feels I should opt for MTD as final tax.	1	2	3	4	5
SN5	I feel please to opt for MTD as final tax.	1	2	3	4	5

3. Perceived Behaviour Control

Code	Statement					
BI 1	I feel it would be easy for me to opt MTD as final tax.	1	2	3	4	5
BI 2	There are no barriers to use MTD as final tax.	1	2	3	4	5
BI 3	With my tax knowledge I will have no difficulties to opt MTD as final tax.	1	2	3	4	5
BI 4	Applying MTD as final will reduce my burden to submit tax return form if I'm satisfied.	1	2	3	4	5
BI 5	I will use MTD as final tax in near future.	1	2	3	4	5

4. Intention to accept MTD as final tax

Code	Statement					
I 1	I intended to use MTD as final tax.	1	2	3	4	5
I 2	I predict that I would use MTD as final tax to pay tax in the next year of assessment.	1	2	3	4	5
I 3	I am willing to use MTD as final tax.	1	2	3	4	5
I 4	I will use MTD as final tax in computing my tax.	1	2	3	4	5
I 5	I will recommend others to use MTD as final tax.	1	2	3	4	5

SECTION C: Perception on MTD as final tax.

Please tick (✓) the following items (you may tick more than one answer) if you find the items as the problem area on the implementation of MTD as final tax in your organisation. You may add other item in the space given.

Statement
MTD calculation is not accurate.
MTD system is not user friendly.
MTD is more tedious than the current tax filing.
Too many reliefs need to be computed makes the MTD more complicated.
Employer is not ready to opt for MTD as final tax. (Example: No proper system).
Other sources of income such as business income, rental income, commission and many more.
Inland Revenue Board Malaysia (IRBM) do not provide enough information to the Public regarding MTD as final tax.

Others please specify

Thank you so much on your cooperation.

KMO and Bartlett's Test

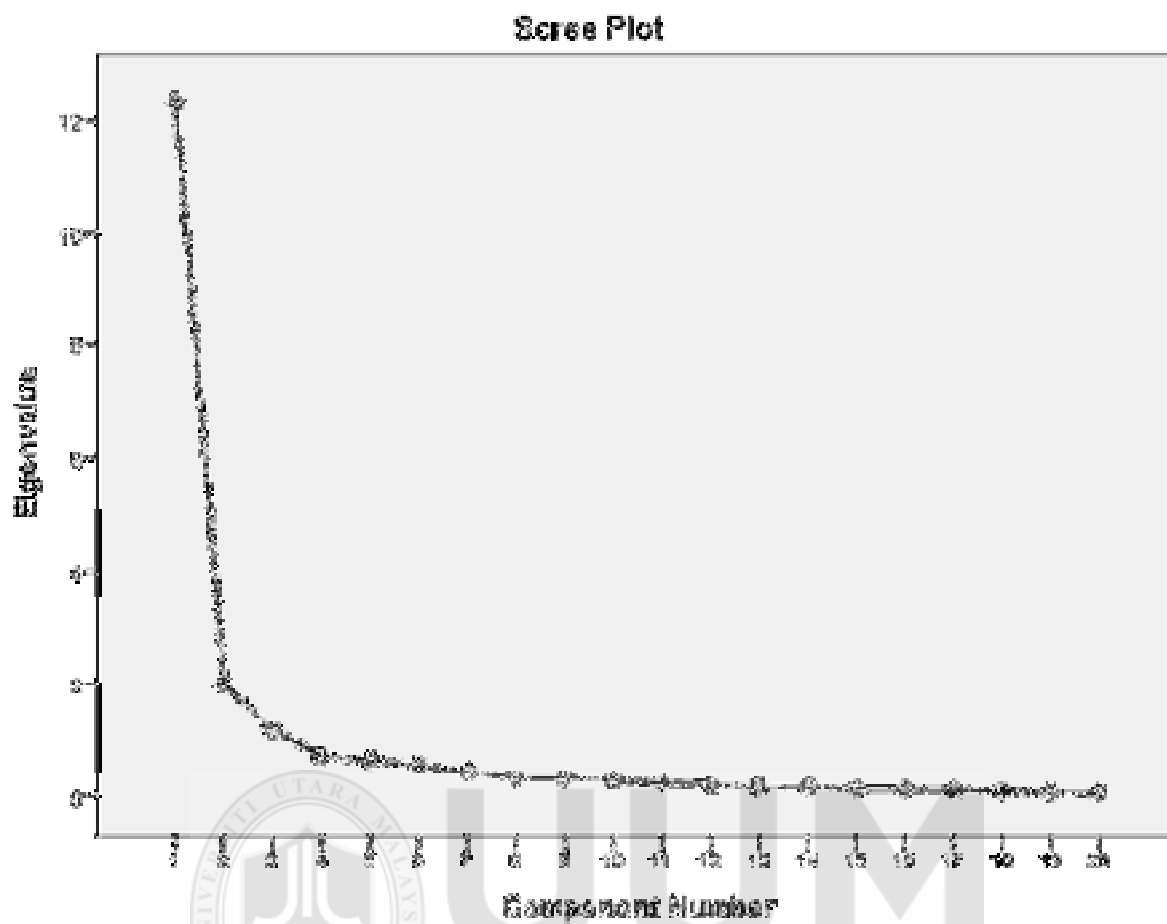
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.903
Approx. Chi-Square	2471.846
Bartlett's Test of Sphericity df	190
Sig.	.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings ^a
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	12.310	61.551	61.551	12.310	61.551	61.551	11.109
2	1.981	9.904	71.455	1.981	9.904	71.455	5.430
3	1.180	5.901	77.356	1.180	5.901	77.356	9.623
4	.740	3.702	81.058				
5	.661	3.304	84.362				
6	.562	2.810	87.172				
7	.436	2.181	89.353				
8	.324	1.621	90.974				
9	.323	1.617	92.591				
10	.261	1.303	93.894				
11	.219	1.095	94.989				
12	.199	.995	95.984				
13	.156	.782	96.765				
14	.143	.716	97.482				
15	.117	.587	98.069				
16	.109	.547	98.616				
17	.102	.508	99.124				
18	.084	.418	99.542				
19	.051	.253	99.796				
20	.041	.204	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.



Component Matrix^a

	Component		
	1	2	3
I predict that I would use MTD as final tax to pay tax in the next year of assessment.	.872		
I strongly agree about the MTD as final tax suggested by the IRBM.	.859		.323
I think positively toward using MTD as final tax.	.854		.371
I like using MTD as final tax.	.854		.332
I will use MTD as final tax in near future.	.847		
I intended to use MTD as final tax.	.844		

I feel good about using MTD as final tax.	.843		.347
I am willing to use MTD as final tax.	.836		
With my tax knowledge I will have no difficulties to opt MTD as final tax.	.824		
Applying MTD as final will reduce my burden to submit tax return form if I'm satisfied.	.816		-.312
I will use MTD as final tax in computing my tax.	.812		
I feel it would be easy for me to opt MTD as final tax.	.808		
I will recommend others to use MTD as final tax.	.808		
I feel please to opt for MTD as final tax.	.789		
There are no barriers to use MTD as final tax.	.756	.363	
The MTD as final tax make easy for me to file my tax.	.745		.449
My family members feels that I should to opt for MTD as final tax.	.708	.494	
My friend feels I should opt for MTD as final tax.	.687	.527	
My family and peers would approve my decision to use MTD as final tax is financially beneficial to me to use.	.637	.570	
My employer encourages me to opt for MTD as final tax.		.725	

Extraction Method: Principal Component Analysis.

a. 3 components extracted.

Pattern Matrix^a

	Component		
	1	2	3
I intended to use MTD as final tax.	.925		
Applying MTD as final will reduce my burden to submit tax return form if I'm satisfied.	.919		
I feel it would be easy for me to opt MTD as final tax.	.879		
I predict that I would use MTD as final tax to pay tax in the next year of assessment.	.861		
I will recommend others to use MTD as final tax.	.842		
I am willing to use MTD as final tax.	.839		
I will use MTD as final tax in near future.	.788		
With my tax knowledge I will have no difficulties to opt MTD as final tax.	.720	.325	
I will use MTD as final tax in computing my tax.	.600		.333
I feel please to opt for MTD as final tax.	.379	.373	
My employer encourages me to opt for MTD as final tax.		.832	
My family and peers would approve my decision to use MTD as final tax is financially beneficial to me to use.		.757	
My friend feels I should opt for MTD as final tax.		.722	
My family members feels that I should to opt for MTD as final tax.		.691	
There are no barriers to use MTD as final tax.	.510	.536	

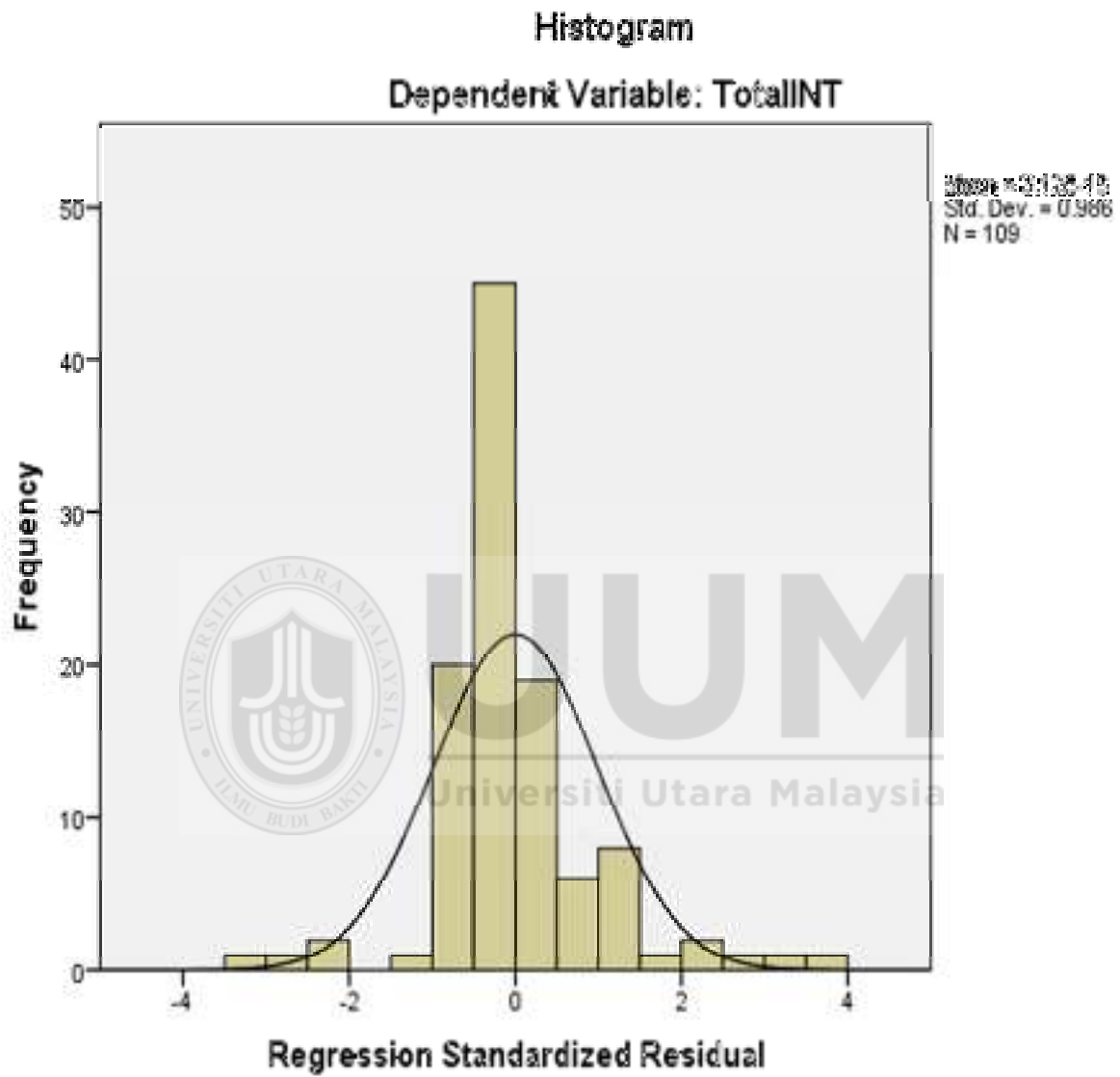
The MTD as final tax make easy for me to file my tax.			.955
I think positively toward using MTD as final tax.			.882
I feel good about using MTD as final tax.			.839
I like using MTD as final tax.			.808
I strongly agree about the MTD as final tax suggested by the IRBM.			.800

Extraction Method: Principal Component Analysis.

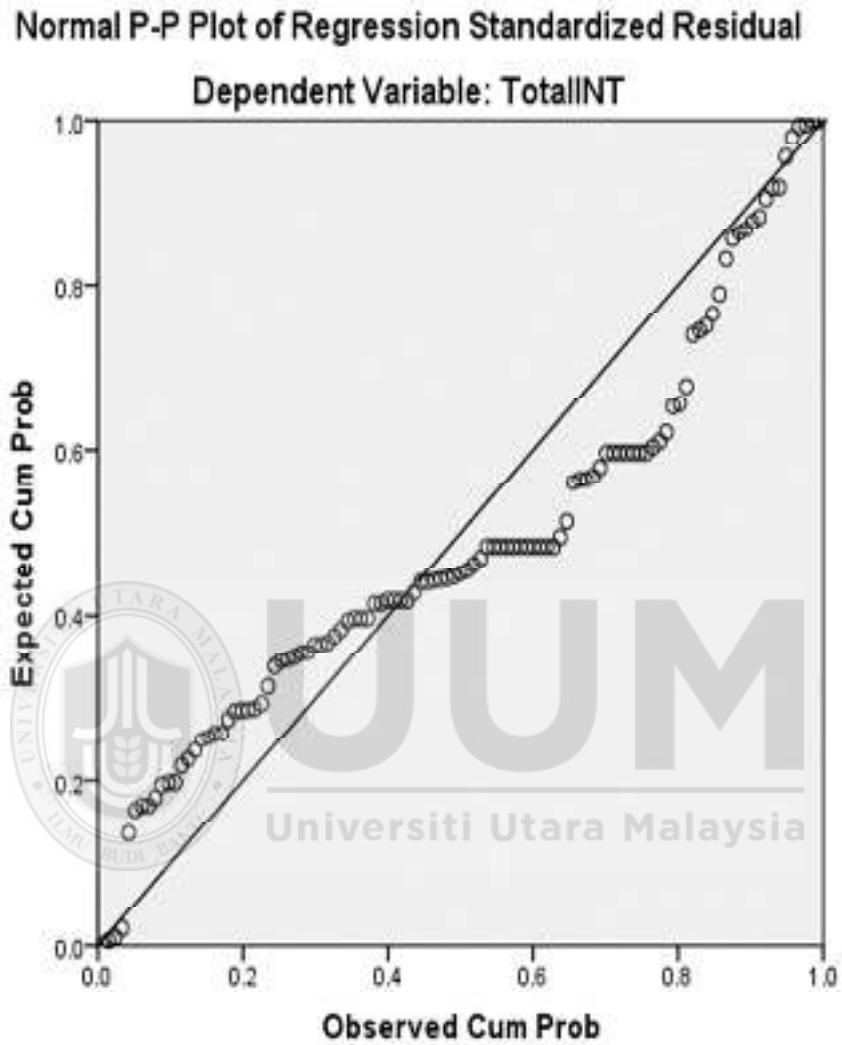
Rotation Method: Oblimin with Kaiser Normalization.

a. Rotation converged in 7 iterations.





Histogram of Dependent Variable (Intention to Accept the MTD as final tax)



Normal P-Plot of Regression Standardized Residual